

COUNTY OF WARREN, NEW YORK

**Financial Statements and Required Reports
Under OMB Circular A-133
December 31, 2014**

Bonadio & Co., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

September 22, 2015

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Warren, New York (the County) as of and for the year ended December 31, 2014, 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

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 Westmount Health Facility (an enterprise fund), which represent 100% percent of the assets, net position, and revenues of the business-type activities. We did not audit the financial statement of the Warren County Local Development Corporation, which represent 97% percent, 98%, and 11% percent, respectively, of the assets, net position, and revenues of the discretely presented component units. Those 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 Westmount Health Facility and Warren County Local Development Corporation, 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 of 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.

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INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibility (Continued)

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 audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Warren, New York as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-11, and 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the financial statements.

The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards is the responsibility of management and was derived from and relates 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. In our opinion, the combining and individual non-major fund financial statements and the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2015, 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.

Bonadio & Co., LLP

COUNTY OF WARREN, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE YEAR ENDED DECEMBER 31, 2014

Our discussion and analysis of the County of Warren, New York's (the County) financial performance provides an overview of the County's financial activities for the year ended December 31, 2014. This document should be read in conjunction with the County's financial statements which begin on page 12.

FINANCIAL HIGHLIGHTS

- The County's net position decreased by \$0.2 million as a result of this year's activity, As illustrated in the Statement of Activities. Included in this amount is a \$0.1 million increase for the Westmount Health Facility under Business Type Activities.
- The County's \$157 million in governmental and business-type activity expenses were partially funded with program revenue of \$52.2 million with \$105 million funded with general revenue, which is illustrated in the Statement of Activities.
- The modified 2014 budget planned for a decrease in the General Fund balance of approximately \$6.9 million; however, there was an actual operating surplus of \$0.8 million, resulting in a budget surplus of \$7.6 million, which is illustrated in the Combined Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund.

USING THIS ANNUAL REPORT

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

REPORTING THE COUNTY AS A WHOLE

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

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

REPORTING THE COUNTY AS A WHOLE (Continued)

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

- **Governmental activities** – Most of the County's basic services are reported here, including public safety, public works, economic assistance, health, parks, and general support. Property taxes, sales taxes, franchise fees, and state and federal grants finance most of these activities.
- **Business-type activities** – The County charges a fee to customers to help cover all or most of the costs of certain services it provides. The County's nursing home facility is reported here. Information included in the accompanying financial statements regarding the business-type activities were derived from separately issued audited financial statements which can be obtained from the Warren County Treasurer's Office.
- **Component units** – The County includes three separate legal entities in its report – the Warren County Soil and Water Conservation District, the Warren County Local Development Corporation (LDC), and the Warren Tobacco Asset Securitization Corporation (WTASC). Although legally separate, these "component units" are important because the County is financially accountable for them. Information included in the accompanying financial statements regarding the WTASC and LDC was derived from separately issued audited financial statements which can be obtained from the Warren County Treasurer's Office. The WTASC is considered a blended component unit and is presented in the Debt Service Fund of the financial statements and not discretely presented with the LDC.

REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS

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

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

THE COUNTY AS TRUSTEE

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

THE COUNTY AS A WHOLE

The County's combined net position decreased from \$55.2 million to \$55 million. Net position may serve over time as one useful indicator of a government's financial condition. This reflects a \$0.2 million decrease over the 2013 net position amount. The majority of the County's net position is capital assets (e.g. land, buildings, infrastructure, machinery, and equipment). The County uses these assets to provide services to citizens; consequently these assets are not available for future spending.

Capital assets in 2014 for the County's Governmental Activities increased by \$2.3 million of which \$1.6 million is related to various road projects.

Long-term Debt in 2014 for the County's Governmental Activities increased by \$4.8 million, of which is primarily the result of a \$6.4 million increase in the retiree's health insurance post-employment benefit obligation and a \$1.8 million decrease in the long-term portion of bonds payable

THE COUNTY AS A WHOLE (Continued)

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

Table 1 Net Position (In Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 67.1	\$ 67.3	\$ 2.1	\$ 4.1	\$ 69.2	\$ 71.4
Capital assets	117.5	115.2	3.8	3.0	121.3	118.2
Total assets	\$ 184.6	\$ 182.5	\$ 5.8	\$ 7.1	\$ 190.5	\$ 189.6
Long-term debt outstanding	\$ 99.1	\$ 93.2	\$ 6.4	\$ 6.3	\$ 105.5	\$ 99.5
Other liabilities	28.0	30.1	1.9	3.4	29.9	33.5
Total liabilities	\$ 127.1	\$ 123.3	\$ 8.3	\$ 9.7	\$ 135.5	\$ 133.0
Net position:						
Net investment in capital assets	\$ 78.3	\$ 73.0	\$ 1.7	\$ 1.6	\$ 80.0	\$ 74.6
Restricted	8.8	7.5	-	-	8.8	7.5
Unrestricted	(29.6)	(22.7)	(4.2)	(4.3)	(33.8)	(27.0)
Total net position	\$ 57.5	\$ 57.8	\$ (2.5)	\$ (2.7)	\$ 55.0	\$ 55.1

Table 2 Changes in Net Position (In Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Program revenue:						
Charges for services	\$ 15.3	\$ 15.6	\$ 6.2	\$ 6.4	\$ 21.5	\$ 22.0
Operating grants	25.0	22.9	-	-	25.0	22.9
Capital grants	6.2	8.0	-	-	6.2	8.0
General revenue:						
Property taxes	41.2	41.5	-	-	41.2	41.5
Other taxes	55.0	54.2	-	-	55.0	54.2
Other general revenue	5.0	3.9	3.1	1.6	8.1	5.5
Total revenue	147.7	146.1	9.3	8.0	157.1	154.1
Program expenses:						
General governmental support	39.2	39.2	-	-	39.2	39.2
Education	2.2	2.2	-	-	2.2	2.2
Public safety	29.6	29.0	-	-	29.6	29.0
Health	15.3	15.0	-	-	15.3	15.0
Transportation	14.5	14.1	-	-	14.5	14.1
Economic Assistance and Opportunity	41.6	40.6	-	-	41.6	40.6
Culture and recreation	2.1	1.8	-	-	2.1	1.8
Home and community services	1.5	1.2	-	-	1.5	1.2
Debt service	1.9	2.0	-	-	1.9	2.0
Westmount Health Facility	-	-	9.2	9.2	9.2	9.2
Total expenses	148.0	145.1	9.2	9.2	157.2	154.3
Change in net position	\$ (0.3)	\$ 1.0	\$ 0.1	\$ (1.2)	\$ (0.2)	\$ (0.2)

THE COUNTY AS A WHOLE (Continued)

Program revenue –

Capital grants for Governmental Activities decreased by \$1.9 million which relates to a decrease in road capital projects.

General Revenues for Governmental Activities, specifically other taxes, increased by \$0.8 million which relates to an increase in sales tax revenue.

General Revenues for Governmental Activities, specifically, other general revenue, increased by \$1.6 million, of which \$0.9 million relates to Warren Tobacco Asset Securitization Corporation (WTASC) tobacco settlement revenue.

Program expenses –

Public Safety increased by \$0.6 million from 2013. Notable increases were a \$0.3 million increase in equipment and capital expenses for the Sheriff’s Law Enforcement and \$0.2 million in expenses for the Sheriff’s Jail.

Economic Assistance and Opportunity increased by \$1.0 million from 2013, of which \$1.2 million relates to increased Medicaid costs.

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

Table 3
Governmental Activities (In Millions)

	2014		2013	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Economic Assistance and Opportunity	\$ 41.6	\$ 23.6	\$ 40.6	\$ 22.9
Public safety	29.6	26.8	29.0	26.9
General support	39.2	33.0	39.2	33.5
Transportation	14.5	8.1	14.1	5.8
Health	15.3	4.9	15.0	4.6
All others	<u>7.7</u>	<u>5.1</u>	<u>7.2</u>	<u>5.0</u>
Totals	<u>\$ 148.0</u>	<u>\$ 101.5</u>	<u>\$ 145.1</u>	<u>\$ 98.7</u>

The increase in the Net Cost of Services for General Support and Transportation and the decrease in Net Cost of Services for Public Safety are further explained in Table 2.

THE COUNTY'S FUNDS

As the County completed the year, its governmental funds (as presented in the balance sheet) reported a combined fund balance of \$30.3 million, which was \$2.3 million more than last year's total of \$28.0 million. Included in this year's total change in fund balance is a current surplus of \$0.8 million in the County's General Fund. The County budgeted for a \$6.9 million decrease in the General Fund resulting in a budget surplus of \$7.6 million for 2014.

A comparative overview of the Governmental Funds results for 2014 and 2013 follows. This includes more detailed information about sources and uses of funds in each year.

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

	2014 Revenue	2014 % of Total	2013 Revenue	2013 % of Total
Real property taxes	\$ 39.8	27.0%	\$ 38.5	26.7%
Real property tax items	2.6	1.8%	2.6	1.8%
Sales and use taxes	55.0	37.4%	54.2	37.6%
Departmental income	11.7	7.9%	12.9	8.9%
Intergovernmental charges	1.3	0.9%	1.1	0.8%
Use of money and property	0.9	0.6%	0.9	0.6%
Licenses and permits	0.6	0.4%	0.5	0.3%
Fines and forfeitures	0.8	0.6%	0.6	0.4%
Sale of property and comp for loss	0.9	0.6%	0.6	0.4%
Miscellaneous local sources	2.4	1.6%	1.6	1.1%
State aid	16.0	10.9%	14.9	10.3%
Federal aid	15.2	10.3%	15.8	11.0%
Total revenue	\$ 147.2	100.0%	\$ 144.2	100.0%
	2014 Expenditures	2014 % of Total	2013 Expenditures	2013 % of Total
General governmental support	\$ 37.9	25.7%	\$ 36.7	25.6%
Education	2.2	1.5%	2.2	1.5%
Public safety	26.2	17.8%	25.1	17.5%
Health	14.2	9.6%	14.0	9.7%
Transportation	16.4	11.1%	18.1	12.6%
Economic Assistance and Opportunity	40.9	27.8%	39.8	27.7%
Culture and recreation	3.0	2.0%	1.6	1.1%
Home and community services	1.4	0.9%	1.0	0.7%
Employee benefits	0.2	0.1%	0.2	0.1%
Debt service - principal and interest	4.8	3.2%	4.9	3.4%
Total expenditures	\$ 147.1	100.0%	\$ 143.6	100.0%

Real property taxes increased \$1.3 million from 2013.

State Aid increased \$1.2 million from 2013, of which \$0.5 million is attributable to casino revenue, \$0.6 million is attributable to the education of physically handicapped children program and \$0.5 million is attributable to the mental health program.

General Governmental support increased by \$1.2 million from 2013, of which \$0.3 million relates to an increase in distribution of sales tax due to an increase in sales tax revenue.

Public Safety increased \$1.1 million from 2013, of which \$0.7 million is attributable to an increase in sheriff law enforcement operating costs.

THE COUNTY'S FUNDS (Continued)

Transportation decreased by \$1.7 million from 2013, of which \$1.4 million is attributable to an increase in highway improvements and a \$3.6 million decrease in road capital project costs.

Culture and recreation increased \$1.4 million from 2013, of which \$0.5 million is attributable to the Lake George Environmental Park Capital project, \$0.5 million is attributable to the Flood Mitigation Capital project and \$0.4 million is attributable to the Invasive Species Boat Washing Capital project.

GENERAL FUND BUDGETARY HIGHLIGHTS

The County's original budget was increased by \$3.4 million during the course of the year. This amount includes \$0.3 million for carryover of prior year encumbrances; \$0.4 million for a 911 equipment grant; \$0.4 million for sheriff law enforcement vehicles; \$0.4 million for sheriff corrections operations; \$0.7 million for additional social service Medicaid costs; and \$1.0 million for transfers to County Road fund for additional road projects.

The actual charges to appropriations (expenditures) were \$5.4 million below the final budget amounts. The most significant favorable variances occurred in general government support of \$1.1 million, which consists of a favorable variance of \$0.1 million relating to a reduction in the distribution of sales tax; health of \$1.8 million, which consists of a favorable variance of \$1.2 million in the Physically Handicapped Children and Early Intervention programs, and economic assistance and opportunity of \$1.7 million, which consists of a favorable variance of \$0.3 million in the medical assistance program

Resources available for appropriation were \$2.0 million more than the final budgeted amount. The most significant favorable variance occurred in the County's sales and use tax which exceeded budgeted amounts by \$1.8 million, of which \$2.3 million relates to the portion of occupancy tax revenues which are budgeted to be used in the subsequent year out of the reserve and an unfavorable variance of \$0.5 million relating to a decrease in sales tax revenue.

The final 2014 budget planned on a decrease in the General Fund balance of a \$6.9 million; however, the actual fund balance was increased by \$0.8 million, resulting in a budget surplus of \$7.6 million, which is explained in the above analysis.

CAPITAL ASSETS

At December 31, 2014, the County had \$120.4 million invested in a broad range of capital assets including equipment, buildings, airport facilities, jail, roads, and bridges (see Table 5 below).

Table 5 Changes in Capital Assets (In Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Land	\$ 4.9	\$ 4.9	\$ -	\$ -	\$ 4.9	\$ 4.9
Construction work in progress	37.4	34.9	-	-	37.4	34.9
Land improvements	-	-	0.2	0.2	0.2	0.2
Buildings and improvements	42.6	44.0	1.2	1.4	43.8	45.4
Vehicles and equipment	5.6	5.8	1.2	1.1	6.8	6.9
Infrastructure	27.0	25.6	-	-	27.0	25.6
Totals	<u>\$ 117.5</u>	<u>\$ 115.2</u>	<u>\$ 2.7</u>	<u>\$ 2.7</u>	<u>\$ 120.2</u>	<u>\$ 117.9</u>

DEBT ADMINISTRATION

At year-end, the County had \$1.4 million in bond anticipation notes outstanding versus \$2.3 million last year. The debt consists of \$0.1 million for the Abatement and Demolition of Annex Building and \$1.3 million for various DPW construction projects.

At year-end, the County had \$1.9 million in capital leases outstanding versus \$2.1 million last year. There were no new capital leases in 2014.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal year 2014 budget, tax rates, and fees that will be charged for the business-type activities. One of these factors is the economy. 2014 average unemployment in the County was 6.3% versus 7.3% the previous year. This is comparable with the 2014 State's average unemployment rate of 6.3% and the national average rate of 6.2%.

This indicator was taken into account when adopting the General Fund budget for 2015. Amounts available for appropriation in the General Fund budget are \$127.3million, an increase of \$2.7 million over the final 2014 budget of \$124.6 million. This represents a 2.1% increase and is indicative of management's attempt to control spending.

If these estimates are realized, the County's General Fund balance is expected to decrease by \$2.4 million by the close of 2015.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

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

COUNTY OF WARREN, NEW YORK

STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Primary Government			Component Units
	Governmental Activities	Business Type Activities	Total	
ASSETS:				
CURRENT ASSETS:				
Cash	\$ 22,159,484	\$ 920,916	\$ 23,080,400	\$ 772,735
Restricted cash	8,762,009	18,790	8,780,799	1,947
Restricted Investments	437,110	-	437,110	-
Taxes receivable, net of an allowance for uncollectible taxes of \$125,000	13,511,933	-	13,511,933	-
Accounts receivable, net of allowance for uncollectible amounts of \$94,510	2,657,888	723,914	3,381,802	5,267
Loans receivable, current portion, net of allowance for doubtful accounts of \$162,000	-	-	-	73,590
State and federal receivables	14,469,904	-	14,469,904	-
Due from governmental activities	-	55,660	55,660	-
Due from business type and fiduciary activities	1,583,780	-	1,583,780	-
Due from third party payors	-	125,258	125,258	-
Due from other governments	932,641	-	932,641	-
Prepaid expenses	1,748,437	161,151	1,909,588	-
Inventory	348,989	60,685	409,674	-
Other current assets	500,818	1,006	501,824	-
Total current assets	<u>67,112,993</u>	<u>2,067,380</u>	<u>69,180,373</u>	<u>853,539</u>
NONCURRENT ASSETS:				
Due from other governmental activities	-	61,255	61,255	-
Due from third party payors, long-term	-	1,066,463	1,066,463	-
Loan receivable, net of current portion	-	-	-	847,997
Capital assets, net	<u>117,527,149</u>	<u>2,623,753</u>	<u>120,150,902</u>	<u>-</u>
Total noncurrent assets	<u>117,527,149</u>	<u>3,751,471</u>	<u>121,278,620</u>	<u>847,997</u>
Total Assets	<u>\$ 184,640,142</u>	<u>\$ 5,818,851</u>	<u>\$ 190,458,993</u>	<u>\$ 1,701,536</u>
LIABILITIES:				
CURRENT LIABILITIES:				
Accounts payable	4,053,017	132,540	4,185,557	4,167
Accrued expenses	816,735	90,169	906,904	-
Capital lease obligations, current portion	246,168	384,403	630,571	-
Bonds payable, current portion	2,014,000	-	2,014,000	-
Bond anticipation notes	1,382,767	-	1,382,767	-
Other current liabilities	3,105,799	25,383	3,131,182	-
Due to business type and governmental activities	43,347	1,112,912	1,156,259	-
Due to other governments	16,342,189	-	16,342,189	423
Compensated absences	-	180,732	180,732	-
Total current liabilities	<u>28,004,022</u>	<u>1,926,139</u>	<u>29,930,161</u>	<u>4,590</u>
LONG-TERM LIABILITIES:				
Bonds payable, less current portion	33,863,701	-	33,863,701	-
Capital lease obligations, less current portion	1,674,037	553,269	2,227,306	-
Judgment and claims	300,000	-	300,000	-
Workers' compensation liability	1,799,289	-	1,799,289	-
Compensated absences	4,642,255	170,762	4,813,017	-
Other postemployment benefits	55,742,309	5,682,678	61,424,987	-
Unearned revenue - NYSEFC advance payment	1,114,289	-	1,114,289	-
Total long-term liabilities	<u>99,135,880</u>	<u>6,406,709</u>	<u>105,542,589</u>	<u>-</u>
Total liabilities	<u>127,139,902</u>	<u>8,332,848</u>	<u>135,472,750</u>	<u>4,590</u>
DEFERRED INFLOWS OF RESOURCES:				
Miscellaneous deferred inflows	-	-	-	798
NET POSITION:				
Net investment in capital assets	78,346,476	1,686,081	80,032,557	-
Restricted	8,762,009	1,006	8,763,015	26,523
Unrestricted	<u>(29,608,245)</u>	<u>(4,201,084)</u>	<u>(33,809,329)</u>	<u>1,669,625</u>
Total net position	<u>\$ 57,500,240</u>	<u>\$ (2,513,997)</u>	<u>\$ 54,986,243</u>	<u>\$ 1,696,148</u>

The accompanying notes are an integral part of these statements.

COUNTY OF WARREN, NEW YORK

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Net (Expense) Revenue and Changes in Net Position							
	Program Revenue				Primary Government			Component Units
	Expenses	Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business-Type Activities	Total	
PRIMARY GOVERNMENT:								
Governmental activities:								
General governmental support	\$ 39,223,048	\$ 5,205,062	\$ 976,602	\$ -	\$ (33,041,384)	\$ -	\$ (33,041,384)	\$ -
Education	2,224,742	-	1,448,476	-	(776,266)	-	(776,266)	-
Public safety	29,642,763	1,855,327	1,014,410	-	(26,773,026)	-	(26,773,026)	-
Health	15,263,433	5,355,865	4,957,616	-	(4,949,952)	-	(4,949,952)	-
Transportation	14,527,051	238,765	12,931	6,176,655	(8,098,700)	-	(8,098,700)	-
Economic Assistance and Opportunity	41,591,797	1,879,394	16,157,520	-	(23,554,883)	-	(23,554,883)	-
Culture and recreation	2,117,092	94,955	103,394	-	(1,918,743)	-	(1,918,743)	-
Home and community services	1,520,106	548,777	373,791	-	(597,538)	-	(597,538)	-
Interest	1,877,953	99,715	-	-	(1,778,238)	-	(1,778,238)	-
Total governmental activities	147,987,985	15,277,860	25,044,740	6,176,655	(101,488,730)	-	(101,488,730)	-
Business-type activities:								
Westmount Health Facility	9,236,093	6,210,585	-	-	-	(3,025,508)	(3,025,508)	-
Total primary government	\$ 157,224,078	\$ 21,488,445	\$ 25,044,740	\$ 6,176,655	\$ (101,488,730)	\$ (3,025,508)	\$ (104,514,238)	\$ -
COMPONENT UNITS:								
Soil and Water Conservation District	\$ 620,724	\$ 455,978	\$ 167,341	\$ -				\$ 2,595
Local Development Corp.	60,499	77,562	-	-				17,063
Total component units	\$ 681,223	\$ 533,540	\$ 167,341	\$ -				\$ 19,658
GENERAL REVENUE:								
Real property taxes					\$ 38,585,401	\$ -	\$ 38,585,401	\$ -
Real property tax items					2,614,357	-	2,614,357	-
Sales and use taxes					55,009,339	-	55,009,339	-
Use of money and property					889,297	2,779	892,076	-
Sale of property and compensation for loss					916,522	-	916,522	-
Other sources					3,202,021	3,124,408	6,326,429	-
Total general revenue					\$ 101,216,937	\$ 3,127,187	\$ 104,344,124	\$ -
Change in net position					\$ (271,793)	\$ 101,679	\$ (170,114)	\$ 19,658
Net position - beginning of year					57,772,033	(2,615,676)	55,156,357	1,676,490
Net position - end of year					\$ 57,500,240	\$ (2,513,997)	\$ 54,986,243	\$ 1,696,148

The accompanying notes are an integral part of these statements.

COUNTY OF WARREN, NEW YORK

BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
ASSETS:					
Cash	\$ 18,950,589	\$ 1,203,566	\$ -	\$ 2,005,329	\$ 22,159,484
Restricted cash	4,592,990	644,776	142,201	573,863	5,953,830
Restricted investments	-	-	437,110	-	437,110
Taxes receivable, net of an allowance for uncollectible taxes of \$125,000	13,511,933	-	-	-	13,511,933
Accounts receivable, net of allowance for uncollectible amounts of \$94,510	1,694,433	-	850,000	113,455	2,657,888
Due from other funds	2,427,469	1,153,828	114	66,126	3,647,537
State and federal receivables	10,134,730	2,385,445	-	1,949,729	14,469,904
Due from other governments	594,433	126,149	-	212,059	932,641
Prepaid expenditures	1,574,314	-	-	167,980	1,742,294
Inventory	73,626	-	-	275,363	348,989
Miscellaneous other assets	500,818	-	-	-	500,818
	<u>54,055,335</u>	<u>5,513,764</u>	<u>1,429,425</u>	<u>5,363,904</u>	<u>66,362,428</u>
Total assets	<u>\$ 54,055,335</u>	<u>\$ 5,513,764</u>	<u>\$ 1,429,425</u>	<u>\$ 5,363,904</u>	<u>\$ 66,362,428</u>
LIABILITIES:					
Accounts payable	3,541,720	97,210	-	387,025	4,025,955
Accrued expenses	448,844	48,591	-	58,051	555,486
Other liabilities	482,528	-	-	-	482,528
Compensated absences	2,375,936	-	-	236,445	2,612,381
Bond anticipation notes	-	1,382,767	-	-	1,382,767
Due to other funds	380,899	920,707	-	803,960	2,105,566
Due to other governments	15,603,012	650,873	-	59,199	16,313,084
Unearned revenue	1,112,678	1,220	-	391	1,114,289
	<u>23,945,617</u>	<u>3,101,368</u>	<u>-</u>	<u>1,545,071</u>	<u>28,592,056</u>
Total liabilities	<u>23,945,617</u>	<u>3,101,368</u>	<u>-</u>	<u>1,545,071</u>	<u>28,592,056</u>
DEFERRED INFLOWS OF RESOURCES:					
Deferred property taxes	6,608,870	-	-	-	6,608,870
Deferred tobacco revenues	-	-	850,000	-	850,000
	<u>6,608,870</u>	<u>-</u>	<u>850,000</u>	<u>-</u>	<u>7,458,870</u>
Total deferred inflows of resources	<u>6,608,870</u>	<u>-</u>	<u>850,000</u>	<u>-</u>	<u>7,458,870</u>
FUND BALANCE:					
Nonspendable	1,647,940	-	-	443,343	2,091,283
Restricted	4,413,101	-	579,425	-	4,992,526
Assigned	2,724,308	2,412,396	-	3,375,490	8,512,194
Unassigned	14,715,499	-	-	-	14,715,499
	<u>23,500,848</u>	<u>2,412,396</u>	<u>579,425</u>	<u>3,818,833</u>	<u>30,311,502</u>
Total fund balance	<u>23,500,848</u>	<u>2,412,396</u>	<u>579,425</u>	<u>3,818,833</u>	<u>30,311,502</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 54,055,335</u>	<u>\$ 5,513,764</u>	<u>\$ 1,429,425</u>	<u>\$ 5,363,904</u>	<u>\$ 66,362,428</u>

The accompanying notes are an integral part of these statements.

COUNTY OF WARREN, NEW YORK

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Non-Major Governmental Funds</u>	<u>Total (Memorandum Only)</u>
REVENUE:					
Real property taxes	\$ 29,752,654	\$ -	\$ -	\$ 10,046,252	\$ 39,798,906
Real property tax items	2,614,357	-	-	-	2,614,357
Sales and use taxes	55,009,339	-	-	-	55,009,339
Departmental income	11,685,518	-	-	7,149	11,692,667
Intergovernmental charges	1,284,038	2,865	-	47,376	1,334,279
Use of money and property	828,947	3,700	28,638	20,523	881,808
Licenses and permits	550,241	-	-	-	550,241
Fines and forfeitures	813,054	-	-	-	813,054
Sale of property and compensation for loss	673,516	-	-	243,006	916,522
Miscellaneous local sources	1,129,520	325,173	896,611	717	2,352,021
Interfund revenues	-	-	-	1,545,716	1,545,716
State aid	12,740,385	1,500,777	-	1,791,227	16,032,389
Federal aid	10,902,832	2,884,651	-	1,401,523	15,189,006
Total revenue	<u>127,984,401</u>	<u>4,717,166</u>	<u>925,249</u>	<u>15,103,489</u>	<u>148,730,305</u>
EXPENDITURES:					
General governmental support	37,056,648	199,218	472,366	138,492	37,866,724
Education	2,224,742	-	-	-	2,224,742
Public safety	25,671,767	9,055	-	550,050	26,230,872
Health	14,193,412	-	-	-	14,193,412
Transportation	817,233	3,674,440	-	11,906,226	16,397,899
Economic assistance and opportunity	39,861,596	-	-	1,014,801	40,876,397
Culture and recreation	1,260,703	1,738,451	-	-	2,999,154
Home and community services	976,289	-	-	387,422	1,363,711
Employee benefits	28,040	-	-	167,817	195,857
Debt service - interest	80,843	-	1,604,962	15,353	1,701,158
Debt service - principal	474,266	-	2,204,000	382,110	3,060,376
Total expenditures	<u>122,645,539</u>	<u>5,621,164</u>	<u>4,281,328</u>	<u>14,562,271</u>	<u>147,110,302</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>5,338,862</u>	<u>(903,998)</u>	<u>(3,356,079)</u>	<u>541,218</u>	<u>1,620,003</u>
OTHER FINANCING SOURCES (USES):					
Interfund transfers in	58,764	984,219	3,310,068	1,062,319	5,415,370
Interfund transfers (out)	(4,581,441)	(58,531)	-	(775,398)	(5,415,370)
BANs redeemed from appropriations	-	689,680	-	-	689,680
Total other financing sources (uses)	<u>(4,522,677)</u>	<u>1,615,368</u>	<u>3,310,068</u>	<u>286,921</u>	<u>689,680</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	816,185	711,370	(46,011)	828,139	2,309,683
FUND BALANCE - beginning of year	<u>22,684,663</u>	<u>1,701,026</u>	<u>625,436</u>	<u>2,990,694</u>	<u>28,001,819</u>
FUND BALANCE - end of year	\$ <u>23,500,848</u>	\$ <u>2,412,396</u>	\$ <u>579,425</u>	\$ <u>3,818,833</u>	\$ <u>30,311,502</u>

The accompanying notes are an integral part of these statements.

COUNTY OF WARREN, NEW YORK

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

Fund balance - All governmental funds	\$ 30,311,502
Amounts reported for governmental activities in the statement of net position are different due to the following:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	117,527,149
Long-term liabilities, including bonds payable and other debt, are not due and payable in the current period and are, therefore, not reported in the funds.	(42,740,161)
Other postemployment benefits liability.	(55,742,309)
Internal service funds used by management to charge the cost of certain activities is not included in governmental funds in the fund financial statements.	944,823
Unearned taxes are recognized as revenue under the accrual basis of accounting.	7,458,870
Interest payable at December 31, 2014, in the government-wide statements under full accrual accounting.	<u>(259,634)</u>
Net position of governmental activities	<u>\$ 57,500,240</u>

The accompanying notes are an integral part of these statements.

COUNTY OF WARREN, NEW YORK

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS
TO STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

Net change in fund balance - Total governmental funds	\$ 2,309,683
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net position	7,178,258
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities	(4,878,915)
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net position	3,060,376
Bond anticipation notes redeemed from appropriations are not recognized as revenue in the statement of activities	(689,680)
Accrual of accreted interest is interest expense in the statement of activities, but not in the governmental funds	(184,187)
Property tax revenue is recorded to the extent it is received within 60 days of year-end for governmental funds, but in the statement of activities, this revenue is recorded as earned upon levy	(363,505)
Revenues and expenditures of the internal service funds are included in the governmental activities in the statement of activities	174,883
Accrued postemployment benefits, long-term portion of compensated absences, and settlements and claims do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds	(6,886,098)
Interest is accrued on the outstanding bonds on the statement of net position but is not recorded as an expenditure in the government funds	<u>7,392</u>
Change in net position - Governmental activities	<u>\$ (271,793)</u>

The accompanying notes are an integral part of these statements.

COUNTY OF WARREN, NEW YORK

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2014

	Business-type Activities		
	Enterprise Fund	Governmental Activities	
		Internal Service Funds	
	Westmount Health Facility	Workers' Compensation	Self Insurance
ASSETS:			
Current assets:			
Cash	\$ 920,916	\$ -	\$ -
Restricted cash	18,790	2,714,951	93,228
Assets limited as to use	1,006	-	-
Patient accounts receivable, net	723,914	-	-
Due from third party payers	125,258	-	-
Inventories	60,685	-	-
Prepaid expenses	161,151	6,143	-
Due from other funds	-	-	27,821
Due from County	55,660	-	-
Total current assets	<u>2,067,380</u>	<u>2,721,094</u>	<u>121,049</u>
Long-term assets:			
Due from County	61,255	-	-
Due from third party payors, long-term	1,066,463	-	-
Capital assets, net	<u>2,623,753</u>	-	-
Total long-term assets	<u>3,751,471</u>	-	-
Total assets	<u>\$ 5,818,851</u>	<u>\$ 2,721,094</u>	<u>\$ 121,049</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	\$ 132,540	\$ 27,062	\$ -
Current portion of capital lease payable	384,403	-	-
Accrued payroll and related benefits	90,169	1,615	-
Vacation leave and related benefits	180,732	10,890	-
Due to County	1,112,912	-	-
Due to other funds	-	29,359	-
Due to third party payers	6,425	-	-
Due to other governments	-	4,760	24,345
Patient funds	18,790	-	-
Other current liabilities	<u>168</u>	-	-
Total current liabilities	<u>1,926,139</u>	<u>73,686</u>	<u>24,345</u>
Long-term liabilities:			
Due to County, net of current portion	-	-	-
Long-term portion of capital lease payable	553,269	-	-
Workers' compensation liability	-	1,799,289	-
Postemployment health benefits	5,682,678	-	-
Sick leave and related benefits	<u>170,762</u>	-	-
Total long-term liabilities	<u>6,406,709</u>	<u>1,799,289</u>	-
Total liabilities	<u>8,332,848</u>	<u>1,872,975</u>	<u>24,345</u>
NET POSITION:			
Net Investment in capital assets	1,686,081	-	-
Restricted	1,006	2,714,951	93,228
Unrestricted	<u>(4,201,084)</u>	<u>(1,866,832)</u>	<u>3,476</u>
Total net position	<u>\$ (2,513,997)</u>	<u>\$ 848,119</u>	<u>\$ 96,704</u>

The accompanying notes are an integral part of these statements.

COUNTY OF WARREN, NEW YORK

**STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Business-type	Governmental Activities	
	Activities	Internal Service Funds	
	Enterprise Fund	Workers' Compensation	Self Insurance
Operating revenue:			
Charges for services, net	\$ 6,206,285	\$ 1,521,576	\$ 81,776
Other operating revenue	<u>4,300</u>	<u>-</u>	<u>-</u>
Total operating revenue	<u>6,210,585</u>	<u>1,521,576</u>	<u>81,776</u>
Operating expenses:			
Nursing services	2,947,253	-	-
Ancillary services	444,147	-	-
Dietary services	716,360	-	-
Housekeeping	183,155	-	-
Laundry service	89,612	-	-
Maintenance	409,161	-	-
Administrative and fiscal services	709,574	-	-
Employee benefits	2,667,947	-	81,776
New York State tax assessment	324,607	-	-
Contractual expenses	-	1,354,182	-
Depreciation	369,683	-	-
Provision for bad debts	<u>322,928</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>9,184,427</u>	<u>1,354,182</u>	<u>81,776</u>
Loss from operations	<u>(2,973,842)</u>	<u>167,394</u>	<u>-</u>
Non-operating revenue (expense):			
Indirect costs and operating transfers from County	249,877	-	-
Intergovernmental transfers	2,874,531	-	-
Interest income	2,779	7,284	205
Interest expense	(51,666)	-	-
Grant revenue	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating revenue	<u>3,075,521</u>	<u>7,284</u>	<u>205</u>
Change in net position	101,679	174,678	205
Net position - beginning of year	<u>(2,615,676)</u>	<u>673,441</u>	<u>96,499</u>
Net position - end of year	<u>\$ (2,513,997)</u>	<u>\$ 848,119</u>	<u>\$ 96,704</u>

The accompanying notes are an integral part of these statements.

COUNTY OF WARREN

**WESTMOUNT HEALTH FACILITY
STATEMENT OF CASH FLOWS - ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

CASH FLOW FROM OPERATING ACTIVITIES:	
Cash received from patient services	\$ 7,263,517
Cash payments to suppliers for goods and services	(3,267,861)
Cash payments to employees for services	(5,987,403)
Other operating revenue	<u>4,300</u>
Net cash flow from operating activities:	<u>(1,987,447)</u>
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES:	
Intergovernmental transfers	2,874,531
Other	<u>-</u>
Net cash flow from noncapital financing activities	<u>2,874,531</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal payments on capital lease	(335,653)
Payments of interest	(51,666)
Capital expenditures	<u>(81,293)</u>
Net cash flow from capital and related financing activities	<u>(468,612)</u>
CASH FLOW FROM INVESTING ACTIVITIES:	
Interest income	2,779
Net change in assets whose use is limited	<u>12,162</u>
Net cash flow from investing activities	<u>14,941</u>
CHANGE IN CASH	433,413
CASH - beginning of year	<u>487,503</u>
CASH - end of year	<u>\$ 920,916</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH (USED IN)	
OPERATING ACTIVITIES:	
Loss from operations	\$ (2,973,842)
Adjustments to reconcile loss from operations to net cash flow (used in) from operating activities:	
Depreciation	369,683
Provisions for bad debts	322,928
Indirect services and operating transfers from County	249,877
Change in:	
Accounts receivable	(53,720)
Inventories	(1,443)
Prepaid expenses	15,569
Accounts payable	32,589
Due to/from third party payers	1,110,952
Accrued items	(116,615)
Due to/from County	(1,456,532)
Postemployment health benefits	513,549
Unearned revenue	<u>(442)</u>
Net cash flow from operating activities	<u>\$ (1,987,447)</u>

The accompanying notes are an integral part of these statements.

COUNTY OF WARREN, NEW YORK

**STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2014**

ASSETS:	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Cash	\$ 3,631	\$ 6,185,961
Due from other governments	-	71,421
Other assets	<u>-</u>	<u>35,743</u>
Total assets	<u>\$ 3,631</u>	<u>\$ 6,293,125</u>
 LIABILITIES:		
Due to other funds	-	\$ 470,868
Due to other governments	-	6,020
Agency liabilities	<u>-</u>	<u>5,816,237</u>
Total liabilities	<u>-</u>	<u>\$ 6,293,125</u>
 NET POSITION	 <u>\$ 3,631</u>	

COUNTY OF WARREN, NEW YORK

**STATEMENT OF CHANGE IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Private Purpose Trust
	<u> </u>
ADDITIONS:	
Investment earnings	\$ -
Gifts and donations	<u>-</u>
	-
 DEDUCTIONS:	
Economic Assistance and Opportunity	<u>\$ -</u>
CHANGE IN NET POSITION	-
NET POSITION - beginning of year	<u>3,631</u>
NET POSITION - end of year	<u>\$ 3,631</u>

The accompanying notes are an integral part of these statements.

COUNTY OF WARREN, NEW YORK

**STATEMENT OF NET POSITION - COMPONENT UNITS
DECEMBER 31, 2014**

	Soil and Water Conservation <u>District</u>	Local Development <u>Corporation</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ 26,946	\$ 745,789	\$ 772,735
Cash - restricted	1,947	-	1,947
Loans receivable, current portion, net of allowance for doubtful accounts of \$162,000	-	73,590	73,590
Accounts receivable	<u>-</u>	<u>5,267</u>	<u>5,267</u>
 Total current assets	 28,893	 824,646	 853,539
Loans receivable, less current portion	<u>-</u>	<u>847,997</u>	<u>847,997</u>
 Total assets	 <u>28,893</u>	 <u>1,672,643</u>	 <u>1,701,536</u>
LIABILITIES:			
Accounts payable	-	4,167	4,167
Due to other governments	<u>423</u>	<u>-</u>	<u>423</u>
 Total current liabilities	 <u>423</u>	 <u>4,167</u>	 <u>4,590</u>
 Total liabilities	 <u>423</u>	 <u>4,167</u>	 <u>4,590</u>
DEFERRED INFLOWS:			
Miscellaneous deferred inflows	<u>798</u>	<u>-</u>	<u>798</u>
NET POSITION			
Restricted	26,523	-	26,523
Unrestricted	<u>1,149</u>	<u>1,668,476</u>	<u>1,669,625</u>
 Total net position	 <u>27,672</u>	 <u>1,668,476</u>	 <u>1,696,148</u>
 Total liabilities, deferred inflows and fund balance	 <u>\$ 28,893</u>	 <u>\$ 1,672,643</u>	 <u>\$ 1,701,536</u>

The accompanying notes are an integral part of these statements.

COUNTY OF WARREN, NEW YORK

**STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION - COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Soil and Water Conservation <u>District</u>	Local Development <u>Corp.</u>	<u>Total</u>
Revenue:			
Departmental income	\$ 113,418	\$ -	\$ 113,418
Use of money and property	88	25,362	25,450
Sale of property and compensation for loss	308,201	-	308,201
Miscellaneous local sources	2,737	50,000	52,737
State aid	167,341	2,200	169,541
Federal aid	<u>31,534</u>	<u>-</u>	<u>31,534</u>
 Total revenue	 <u>623,319</u>	 <u>77,562</u>	 <u>700,881</u>
Expenditures:			
General governmental support	<u>620,724</u>	<u>60,499</u>	<u>681,223</u>
 Total expenditures	 <u>620,724</u>	 <u>60,499</u>	 <u>681,223</u>
 CHANGE IN NET POSITION	 2,595	 17,063	 19,658
 NET POSITION - beginning of year	 <u>25,077</u>	 <u>1,651,413</u>	 <u>1,676,490</u>
 NET POSITION - end of year	 <u>\$ 27,672</u>	 <u>\$ 1,668,476</u>	 <u>\$ 1,696,148</u>

The accompanying notes are an integral part of these statements.

COUNTY OF WARREN, NEW YORK

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

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

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

Component units of the County include the following:

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

Warren County Soil and Water Conservation District (the District) – This component unit accounts for revenues and expenditures of the District in accordance with the provisions of the New York State Soil and Water Conservation District Law.

Warren Tobacco Asset Securitization Corp. (WTASC) - This component unit is a non-profit corporation created solely for the purpose of acquiring from Warren County certain rights under the Master Settlement Agreement with respect to tobacco litigation. WTASC is an instrumentality of, but separate and apart from, the County. WTASC is primarily dependent on the future proceeds from the tobacco settlement to meet its future debt service obligations. These debt obligations are the sole responsibility of WTASC. Due to the benefit that will be transferred back to the County, the WTASC is treated as a blended component unit and consolidated with the Debt Service Fund.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

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

Basis of Presentation

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

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities present financial information about the County's governmental and business type activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenue, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary grants, while the capital grants column reflects capital-specific grants. The primary government is reported separately from certain legally separate component units which the primary government is financially accountable.

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

Fund Financial Statements

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

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

The accounts of the County are organized into funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenue, and expenditures.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

The various funds are summarized by type in the financial statements. Significant transactions between funds within a fund type have been eliminated. The fund types and account groups used by the County are as follows:

Governmental Fund Types

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

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

The following are the County's non-major governmental fund types:

- Special Grant Fund - Established to account for the use of federal monies received under the Job Training Partnership Act and Community Development Act.
- County Road Fund - Established to account for revenue and expenditures related to the construction and maintenance of County roads in accordance with New York State laws.
- Road Machinery Fund - Established to account for revenue and expenditures related to the purchase, repair, maintenance, and storage of highway machinery, tools, and equipment in accordance with New York State laws.
- Sewer Fund - Established to account for revenue and expenditures related to operation of an industrial park sewer district.

Proprietary Fund Types

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

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund Types (Continued)

The County maintains the following proprietary fund types:

- Enterprise Fund - The enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body had decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The County maintains an enterprise fund to account for the Westmount Health Facility which is a New York State licensed, 80-bed, skilled nursing and health-related facility.
- Internal Service Fund – Utilizes proprietary fund accounting and is used to account for the financing of goods and services provided by one department to other departments on a cost-reimbursement basis. The County uses the following Internal Services Funds:
 - Self-Insurance Fund - Established to account for revenue and expenditures related to the unemployment self-insurance program.
 - Workers' Compensation Fund - Established to account for revenue and expenditures related to the workers' compensation self-insurance program.

Fiduciary Fund Types

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

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

Agency funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the County as agent for various other entities and for payroll or employee withholdings.

Basis of Accounting, Measurement Focus, and Financial Statement Presentation

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

The modified accrual basis of accounting and current measurement focus is followed by the governmental and fiduciary funds and the component units. Under the modified accrual basis of accounting, revenue is recorded when it is susceptible to accrual, i.e. both measurable and available. Available means collectible within the current period or soon enough thereafter (within 60 days of year-end) to be used to pay liabilities of the current period.

Expenditures, other than interest on long-term debt, pension contributions, and compensated absences, are recorded when the liability is incurred, if measurable.

In applying the susceptible-to-accrual concept to state and federal aid, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of this revenue.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting, Measurement Focus, and Financial Statement Presentation (Continued)

In one, monies must be expended on the specific purpose or project before any amounts are recorded as revenue by the County; therefore, revenue is recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are generally reflected as revenue at the time of receipt.

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

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

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

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

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

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

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

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting, Measurement Focus, and Financial Statement Presentation (Continued)

- Capital Related Differences - Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the statement of activities.
- Long-Term Debt Transaction Differences - Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net assets.

Budgetary Data

General Budget Process

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

Budget Basis of Accounting

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

Encumbrances

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

Use of Estimates

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

Cash and Restricted Cash

The County investment policy is governed by the statutes of the State of New York (State). In addition, the County has its own written investment policy. County monies must be deposited in FDIC-insured commercial banks or trust companies located within the State.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Restricted Cash (Continued)

The County Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Government and its agencies and obligations of the State of New York.

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. GAAP requires deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance.

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

Inventories

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

Capital Assets, Net

Capital assets are reported at actual cost for acquisitions subsequent to January 1, 2003. For assets acquired prior to January 1, 2003, estimated historical costs were used. Donated assets are reported at estimated fair value at the time received. In accordance with GAAP, capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the County-wide statements are as follows:

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

Compensated Absences

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

Based upon the number of years of service, employees are entitled to vacation ranging from 2 to 20 days which vest on January 1 of each year for the following year's employment.

The liability will be liquidated with expendable available financial resources; therefore, it is accounted for in the respective governmental fund type in accordance with generally accepted accounting principles.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Postemployment Benefits

In addition to providing retirement benefits, the County provides certain health benefits for retired employees. Substantially all of the County's employees have the option of receiving these benefits that are provided by an insurance company upon retirement. At the fund level, the County recognizes the cost of providing these benefits as the premiums are paid. The costs recognized in 2014 approximated \$3,400,000 for 510 retirees and survivors.

In accordance with GAAP, the County has recorded in the government-wide statement of net position an accrual for other postemployment benefits totaling \$55,742,309 as of December 31, 2014.

Property Taxes

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

Non-Property Tax Items

The most significant components of non-property tax items are sales and use taxes and hotel occupancy taxes.

Unearned Revenue

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

Net Position Classifications – Government Wide Statements

Net position is displayed in three components:

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

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

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications - Governmental Fund Statements

Classifications of fund balance reflect spending constraints on resources, rather than availability for appropriation to provide users more consistent and understandable information about a fund's net resources. Constraints are broken down into five different classifications: non-spendable, restricted, committed, assigned, and unassigned. The classifications serve to inform readers of the financial statements of the extent to which the County is bound to honor constraints on the specific purposes for which resources in a fund can be spent.

In the fund financial statements the five classifications of fund balance are defined as:

Non-spendable – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Committed – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the County's highest level of decision making authority, the Board of Supervisors.

Assigned – Includes amounts that are constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. Any remaining fund balance amounts for funds other than the general fund are classified as assigned fund balance. The Board of Supervisors is the official authorized body to assign amounts for a specific purpose. Assignments of fund balance cannot cause a negative unassigned fund balance.

Unassigned - Includes remaining fund balance amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the County. Any governmental funds that have a remaining deficit after the non-spendable, restricted and committed classifications have been recorded must reflect the deficit as unassigned.

Proprietary funds' net position is classified the same as in the government-wide financial statements.

Order of Fund Balance Spending Policy

The County's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balances for specific purposes are determined.

Interfund Activity

Interfund transfers are generally recorded as transfers in or out of a particular fund. Charges for services and costs paid for services acquired are recorded as revenues of the supplier fund and expenses/expenditures of the consumer fund. Unbilled costs and unpaid invoices are recognized as interfund receivables and payables at the end of the fiscal year.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Newly Adopted Accounting Standards

During the year ended December 31, 2014, the County adopted GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The term *government combinations* include a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

During the year ended December 31, 2014, the County adopted GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement establishes accounting and financial reporting standards for financial guarantees that are nonexchange transactions (nonexchange financial guarantees) extended or received by a state or local government. As issued in this Statement, a nonexchange financial guarantee is a guarantee of an obligation of a legally separate entity or individual, including a blended or discretely presented component unit, which requires the guarantor to indemnify a third-party obligation holder under specified conditions.

There was no immediate impact to the County's financial statements as a result of these Statements.

2. CASH

As of December 31, 2014, all of the County's cash balances were either insured or collateralized with securities held by the pledging financial institution's trust department in the County's name:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash, including trust funds	\$ 39,131,937	\$ 38,050,791
Collateralized with securities held by the pledging financial institution's trust department or agent in the County's name	\$ 37,980,625	
Covered by FDIC insurance	<u>1,151,312</u>	
Total	<u>\$ 39,131,937</u>	

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

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

3. RESTRICTED CASH

Restricted cash for the primary government consisted of the following:

<u>Fund</u>	<u>Restricted Balance</u>	<u>Restriction</u>
General	<u>4,592,990</u>	Reserve for capital project acquisitions, construction, and reconstruction.
Capital Projects	<u>644,776</u>	Construction and reconstruction.
Debt Service	<u>142,201</u>	Reserve for debt service
Non-major Governmental	<u>573,863</u>	Reserve for capital project acquisitions
Enterprise	<u>18,790</u>	Patient funds
Internal Service Funds	93,228	Unemployment insurance
	<u>2,714,951</u>	Workers' compensation insurance
Total Internal Service Funds	<u>2,808,179</u>	
Total Restricted Cash	<u>8,780,799</u>	

4. PROPERTY TAXES

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

Uncollected property taxes assumed by the County as a result of the settlement proceedings are reported as receivables in the general fund to maintain central control and provide for tax settlement and enforcement proceedings. The portion of the receivable, \$10,099,956, that represents taxes re-levied for the city, the village, and school districts and taxes levied for the special assessment district is included in due to other governments. Another portion of the receivable, \$6,608,870 is not considered available under the modified accrual basis of accounting and is included in liabilities as unearned revenue.

5. LOANS RECEIVABLE, NET

Component Unit – LDC

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.

5. LOANS RECEIVABLE, NET (Continued)

Component Unit – LDC (Continued)

Uncollected interest previously accrued is charged off or an allowance is established by a charge to interest income. Interest income on non-accrual loans is recognized only to the extent cash payments are received. Interest on loans is recognized over the term of the loan and is calculated using the compounded-interest method on principal amounts outstanding.

The LDC maintains a micro-enterprise loan program. The loans have varying interest rates ranging from 3-8% and have repayment terms ranging from 3-7 years. The loans are collateralized by a first or priority security interest in any equipment, machinery, furnishings or fixtures financed or purchased from loan proceeds. An allowance for doubtful accounts of \$162,000 has been established as of December 31, 2014.

Expected repayment on the loans receivable is as follows:

For the Year Ending December 31,

2015	235,590
2016	140,428
2017	133,262
2018	91,229
2019	82,303
Thereafter	<u>400,775</u>
Total	1,083,587
Less: current portion	<u>(235,590)</u>
Total	<u>\$ 847,997</u>

6. STATE AND FEDERAL RECEIVABLES

Governmental Funds' State and federal receivables are comprised of the following:

<u>Fund</u>	<u>Balance</u>	<u>Description</u>
General	<u>\$ 10,134,730</u>	Claims for reimbursement of expenditures in administering various health and social service programs net of related advances.
Non-major	<u>\$ 1,949,729</u>	Claims for reimbursement of expenditures for job training programs and highway improvements.
Capital projects	<u>\$ 2,385,445</u>	Claims for reimbursement of expenditures for various capital projects.
Total State and Federal Receivable	<u>\$ 14,469,904</u>	

7. CAPITAL ASSETS, NET

A summary of changes in capital assets, net is as follows:

	Balance at January 1, <u>2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance at December 31, <u>2014</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 4,940,874	\$ -	\$ -	\$ 4,940,874
Construction in progress	<u>34,865,080</u>	<u>4,439,278</u>	<u>1,925,574</u>	<u>37,378,784</u>
Total nondepreciable assets	<u>39,805,954</u>	<u>4,439,278</u>	<u>1,925,574</u>	<u>42,319,658</u>
Capital assets that are depreciated:				
Land improvements	362,210	-	-	362,210
Buildings and improvements	62,273,995	-	-	62,273,995
Vehicles and equipment	19,428,641	1,167,871	56,839	20,539,673
Infrastructure	<u>55,690,372</u>	<u>3,496,683</u>	<u>-</u>	<u>59,187,055</u>
Total depreciated assets	<u>137,755,218</u>	<u>4,664,554</u>	<u>56,839</u>	<u>142,362,933</u>
Less: Accumulated depreciation				
Land improvements	362,210	-	-	362,210
Buildings and improvements	18,297,350	1,377,484	-	19,674,834
Vehicles and equipment	13,609,072	1,339,571	56,839	14,891,804
Infrastructure	<u>30,064,734</u>	<u>2,161,860</u>	<u>-</u>	<u>32,226,594</u>
Total accumulated depreciation	<u>62,333,366</u>	<u>4,878,915</u>	<u>56,839</u>	<u>67,155,442</u>
Total capital assets, net	<u>\$ 115,227,806</u>	<u>\$ 4,224,917</u>	<u>\$ 1,925,574</u>	<u>\$ 117,527,149</u>
Business-type Activities:				
Capital assets that are not depreciated:				
Land	\$ 25,100	\$ -	\$ -	\$ 25,100
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total nondepreciable assets	<u>25,100</u>	<u>-</u>	<u>-</u>	<u>25,100</u>
Capital assets that are depreciated:				
Land improvements	224,730	-	-	224,730
Buildings and improvements	3,447,348	-	-	3,447,348
Vehicles and equipment	<u>5,027,735</u>	<u>81,764</u>	<u>7,536</u>	<u>5,101,963</u>
Total depreciated assets	<u>8,699,813</u>	<u>81,764</u>	<u>7,536</u>	<u>8,774,041</u>
Less: Accumulated depreciation				
	<u>5,813,241</u>	<u>369,683</u>	<u>7,536</u>	<u>6,175,388</u>
Total capital assets, net	<u>\$ 2,911,672</u>	<u>\$ (287,919)</u>	<u>\$ -</u>	<u>\$ 2,623,753</u>

7. CAPITAL ASSETS (Continued)

Depreciation expense is allocated to specific functions over the governmental activities as follows:

General government support	\$ 250,388
Public safety	1,011,371
Health	79,221
Transportation	3,025,345
Economic Assistance and Opportunity	467,198
Culture and recreation	16,868
Home and community	<u>28,524</u>
Total depreciation expense	<u>\$ 4,878,915</u>

8. UNEARNED REVENUE

Unearned revenue consists of the following at December 31, 2014:

General Fund	
Miscellaneous revenue	\$ 98,463
Mental health programs	983,649
Sheriff grant program	14,698
Gaslight village parking fees	<u>15,868</u>
	<u>\$ 1,112,678</u>
Special Revenue Fund	
Grant revenue	<u>\$ 391</u>

9. BOND ANTICIPATION NOTES

Governmental Activities

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

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

9. BOND ANTICIPATION NOTES (Continued)

Governmental Activities (Continued)

The following BANs were outstanding at December 31, 2014:

Abatement and demolition of Annex Building dated April 24, 2014 due April 25, 2015 with interest at 2.15%	115,429
Abatement and demolition of Annex Building dated October 4, 2014 due October 3, 2015 with interest at 1.79%	29,207
Various DPW constructions dated October 3, 2014 due October 3, 2015 with interest at 1.01%	<u>1,238,131</u>
Total BANs outstanding at County of Warren as of December 31, 2014.	<u>\$1,382,767</u>

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

<u>Governmental activity short-term financing</u>	Balance at January 1, <u>2014</u>	<u>Increase</u>	<u>Decrease</u>	Balance at December 31, <u>2014</u>
Bond anticipation notes:				
Abatement & Demolition BAN	\$ 58,414	\$ -	\$ 29,207	\$ 29,207
Abatement & Demolition BAN	230,858	-	115,429	115,429
Sheriff Vehicle/Bridge Rehab	132,334	-	132,334	-
DPW Construction BAN	<u>1,835,641</u>	-	<u>597,510</u>	<u>1,238,131</u>
Total bond anticipation notes	<u>\$ 2,257,247</u>	<u>\$ -</u>	<u>\$ 874,480</u>	<u>\$ 1,382,767</u>

10. LONG-TERM DEBT

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

	Balance at January 1, <u>2014</u>	<u>Increase</u>	<u>Decrease</u>	Balance at December 31, <u>2014</u>
Governmental activities:				
Serial bonds	\$ 31,068,000	\$ -	\$ 2,004,000	\$ 29,064,000
Capital lease obligations	2,086,901	-	166,696	1,920,205
Compensated absences	4,449,681	192,574	-	4,642,255
Judgment and claims	-	300,000	-	300,000
Other post-employment benefits	<u>49,348,785</u>	<u>6,393,524</u>	<u>-</u>	<u>55,742,309</u>
 Total governmental long-term debt	 <u>\$ 86,953,367</u>	 <u>\$ 6,886,098</u>	 <u>\$ 2,170,696</u>	 <u>\$ 91,668,769</u>
Business-type Activities:				
Capital lease obligations	<u>\$ 1,273,325</u>	<u>\$ -</u>	<u>\$ 335,653</u>	<u>\$ 937,672</u>
Blended Component Unit (WTASC):				
Serial bonds and accreted interest	<u>\$ 6,829,514</u>	<u>* \$ 184,187</u>	<u>\$ 200,000</u>	<u>\$ 6,813,701</u>

* Increase in accreted interest on capital appreciation bonds

Interest on all debt for the year was composed of:

Interest paid	\$ 1,701,158
Add: Current year accrued interest	443,821
Less: Prior year accrued interest	<u>(267,026)</u>
 Total expense	 <u>\$ 1,877,953</u>

Bonds Payable

The County's bonds are comprised of the following:

<u>Description</u>	<u>Date Issued</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Balance at 12/31/14</u>
Governmental activities:					
Public Improvement Serial Bonds 2009	12/30/2009	21,480,000	2.61%	2034	18,785,000
Airport Hanger Serial Bond 2010	4/12/2010	800,000	3.75%	2015	160,000
ACC Computer Software Serial Bonds 2010	7/14/2010	468,000	3.04%	2015	94,000
Public Improvement Refunding Serial Bonds 2012	5/16/2012	<u>11,340,000</u>	2.0-5.0%	2023	<u>10,025,000</u>
		<u>\$ 34,088,000</u>			<u>\$ 29,064,000</u>

10. LONG-TERM DEBT (Continued)

Bonds Payable (Continued)

The WTASC bonds are comprised of the following:

<u>Description</u>	<u>Date Issued</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Balance at 12/31/14</u>
Governmental activities:					
Tobacco Settlement Bonds - 2001 Series	2001	\$ 5,540,000	5.0%-6.0%	2025	\$ 3,825,000
Tobacco Settlement CAB - 2005 Series	2005*	1,852,507	6.0%-7.15%	2031	1,677,607
Accreted interest - 2005 Series	2005	-		2060	1,311,094
		<u>\$ 7,392,507</u>			<u>\$ 6,813,701</u>

* Capital Appreciation Bonds (CAB)

The governmental activities' future bond debt service requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2015	2,479,000	1,416,183	3,895,183
2016	2,010,000	1,320,809	3,330,809
2017	2,025,000	1,258,760	3,283,760
2018	2,100,000	1,185,190	3,285,190
2019	2,125,000	1,114,306	3,239,306
2020-2024	10,265,000	4,144,326	14,409,326
2025-2029	5,480,000	2,122,345	7,602,345
2030-2034	6,405,000	846,290	7,251,290
2038	1,840,186	3,085,908	4,926,094
2050	466,102	6,293,898	6,760,000
2055	291,453	7,888,547	8,180,000
2060	390,960	17,609,040	18,000,000
Total	<u>\$ 35,877,701</u>	<u>\$ 48,285,602</u>	<u>\$ 84,163,303</u>

10. LONG-TERM DEBT (Continued)

Bonds Payable (Continued)

Capital leases are comprised of the following at December 31, 2014:

<u>Description</u>	<u>Date Issued</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Balance at 12/31/14</u>
<u>Governmental Activities:</u>					
Countryside capital improv.	10/27/2006	\$ 327,339	2.85%	1/1/2022	\$ 189,104
Mun. Center capital improv.	7/20/2007	<u>2,496,750</u>	3.70%	12/1/2022	<u>1,731,101</u>
		2,824,089			1,920,205
<u>Business Type Activities:</u>					
Co-generation plant	5/20/2005	<u>3,626,548</u>	4.35%	4/20/2018	<u>937,672</u>
Total capital leases		<u>\$ 6,450,637</u>			<u>\$ 2,857,877</u>

Capital Leases

The County's capital lease debt service requirements are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2015	246,168	384,403
2016	259,966	384,403
2017	269,266	224,234
2018	280,340	
2019	290,739	
2020-2022	<u>910,439</u>	<u>-</u>
Total minimum lease payments	2,256,918	993,040
Less: Amounts representing interest costs	<u>336,713</u>	<u>55,368</u>
Present value of minimum lease payments	<u>\$ 1,920,205</u>	<u>\$ 937,672</u>

11. FUND BALANCE

The detail of fund balance classifications for the governmental funds is as follows:

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
Non-spendable:					
Prepaid expenditures	\$ 1,574,314	\$ -	\$ -	\$ 167,980	\$ 1,742,294
Inventory	<u>73,626</u>	-	-	<u>275,363</u>	<u>348,989</u>
	<u>1,647,940</u>	-	-	<u>443,343</u>	<u>2,091,283</u>
Restricted:					
Debt service	-	-	579,425	-	579,425
Capital	416,906	-	-	-	416,906
Occupancy tax	2,838,550	-	-	-	2,838,550
Probation	4,753	-	-	-	4,753
Forfeit crime	831,476	-	-	-	831,476
Environmental Testing	212,279	-	-	-	212,279
Stop DWI	<u>109,137</u>	-	-	-	<u>109,137</u>
	<u>4,413,101</u>	-	<u>579,425</u>	-	<u>4,992,526</u>
Assigned:					
Encumbrances	302,678	-	-	-	302,678
Capital projects	-	2,412,396	-	-	2,412,396
Operations of special revenue funds	-	-	-	2,660,490	2,660,490
Appropriated for ensuing year	<u>2,421,630</u>	-	-	<u>715,000</u>	<u>3,136,630</u>
	<u>2,724,308</u>	<u>2,412,396</u>	-	<u>3,375,490</u>	<u>8,512,194</u>
Unassigned:	<u>14,715,499</u>	-	-	-	<u>14,715,499</u>
Total Fund Balance	<u>\$ 23,500,848</u>	<u>\$ 2,412,396</u>	<u>\$ 579,425</u>	<u>\$ 3,818,833</u>	<u>\$ 30,311,502</u>

12. RETIREMENT BENEFITS

Plan Description

The County participates in the New York State and Local Employees' Retirement System (ERS), and the Public Employees' Group Life Insurance Plan (Systems). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits, as well as death and disability benefits. Obligations of employers and employees to contribute benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller adopts and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12207.

Funding Policy

The Systems are noncontributory except for the employee who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3% of their salary for the first ten years of membership and employees who joined on or after January 1, 2010, who generally contribute 3% of their salary for their entire length of service.

12. RETIREMENT BENEFITS (Continued)

Funding Policy (Continued)

For employees who joined after April 1, 2012, employees contribute 3% of their salary until April 1, 2013, and then contribute 3% to 6% of their salary throughout their active membership. Under the authority of the NYSRSSL, the Comptroller certifies annually the rates expressed as proportions of payroll of members, which is used in computing the contributions required to be made by employers to the pension accumulation fund.

Funding Policy (Continued)

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

	<u>ERS</u>
2014	\$7,624,592
2013	\$7,672,988
2012	\$6,776,093

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

13. OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS

Plan Description

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

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

The Retirement Plan can be amended by action of the County subject to applicable collective bargaining and employment agreements. The number of retired employees currently eligible to receive benefits at December 31, 2014, was 606. The Retirement Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the plan.

Funding Policy

The obligations of the Retirement Plan are established by action of the County pursuant to applicable collective bargaining and employment agreements. The required premium contribution rates of retirees range from 0% to 20%, depending on when the employee was hired. The County will pay its portion of the premium for the retiree and spouse for the lifetime of the retiree. The costs of administering the Retirement Plan are paid by the County. The County currently contributes enough money to the Retirement Plan to satisfy current obligations on a pay-as-you-go basis to cover annual premiums. The amount paid during 2014 by the County was \$3,107,331.

13. OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 10,270,986
Interest on net OPEB obligation	1,973,951
Adjustment to ARC	<u>(2,744,082)</u>
Annual OPEB cost (expense)	9,500,855
Contributions made	<u>(3,107,331)</u>
Increase in net OPEB obligation	6,393,524
Net OPEB obligation - beginning of year	<u>49,348,785</u>
Net OPEB obligation - end of year	<u><u>\$ 55,742,309</u></u>

The following table provides trend information for the Retirement Plan:

<u>Year End</u>	<u>Annual OPEB costs</u>	<u>Actual Contribution</u>	<u>Percent Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$ 9,500,855	\$ 3,107,331	32.7%	\$ 55,742,309
2013	\$ 10,506,921	\$ 3,250,388	30.9%	\$ 49,348,785
2012	\$ 9,790,357	\$ 3,361,469	34.3%	\$ 47,261,380

Funded Status and Funding Progress

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

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

13. OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

Schedule of Funding Progress for the County's Plan

<u>Actuarial Date</u>	<u>Actuarial Value of Plan Assets</u>	<u>Accrued Liability</u>	<u>Unfunded Accrued Liability (UAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAL as a % of Covered Payroll</u>
1/1/2014	\$ -	\$ 112,601,635	\$ 112,601,635	0.00%	\$ 37,544,083	299.92%
1/1/2013	-	106,835,874	106,835,874	0.00%	37,271,591	286.64%
1/1/2012	-	109,918,930	109,918,930	0.00%	36,083,888	304.62%

Actuarial Methods and Assumptions

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

In the January 2014 actuarial valuation, the following methods and assumptions were used:

Actuarial cost method	Projected unit credit
Discount rate*	4.0%
Mortality	RP-2000 Mortality Table
Medical care cost trend rate	5.2% initially, based on age of retirees. The rate is reduced by decrements to an ultimate rate of 4.2% after seven years, depending on age of retirees.
Unfunded actuarial accrued liability:	
Amortization period	30 years
Amortization period status	Open

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

14. JOINTLY GOVERNED ORGANIZATIONS

SUNY Adirondack

The operation of SUNY Adirondack is undertaken jointly with Washington County, under the provisions of Article 126 of the Education Law, and is excluded from the County's financial statements. Separate financial statements are issued for the college. The County's share of the operating costs for the year ended December 31, 2014 was \$1,852,623.

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, 2014 was \$7,000.

14. JOINTLY GOVERNED ORGANIZATIONS (Continued)

Lake Champlain-Lake George Regional Development Corporation

The operation of the Lake Champlain-Lake George Regional Development Corporation is undertaken jointly with the Counties of Essex, Clinton, Hamilton, and Washington under Section 402 and 1411 of the Not-for-Profit Corporation Law of New York State and is excluded from the County's financial statements. Separate financial statements are issued for the corporation. The County's share of the operating costs for the year ended December 31, 2014 was \$0.

Counties of Warren and Washington Industrial Development Agency

The agency was created in 1971 by the Warren and Washington County Boards of Supervisors under the provisions of Chapter 862 of 1971 Laws of New York State for the purpose of encouraging economic growth in the Counties of Warren and Washington and is excluded from the financial statements. The County's share of the operating costs for the year ended December 31, 2014 was \$0.

15. OPERATING TRANSFERS AND INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances arising from these transactions as of December 31, 2014, were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General fund	\$ 2,427,469	\$ 380,899
Special revenue funds	66,126	803,960
Capital projects fund	1,153,828	920,707
Debt service fund	114	-
Enterprise fund	43,347	1,112,912
Internal service funds	27,821	29,359
Fiduciary funds	-	<u>470,868</u>
 Total	 <u>\$ 3,718,705</u>	 <u>\$ 3,718,705</u>

Interfund balances are used:

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

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

Interfund transfers throughout the year ended, were as follows:

	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
General Fund	\$ 58,764	\$ 4,581,441
County Road	1,058,247	598,891
Road Machinery	4,072	176,507
Capital projects fund	984,219	58,531
Debt Service	<u>3,310,068</u>	<u>-</u>
Total	<u>\$ 5,415,370</u>	<u>\$ 5,415,370</u>

Interfund transfers are used:

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

16. COMMITMENTS AND CONTINGENCIES

Lawsuits

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

Self-Insurance

The County sponsors and participates in a self-insurance plan for workers' compensation under Local Law No. 1 and 2, 1956, pursuant to Article 5 of the Workers' Compensation Law. The plan is open to any eligible municipality, school district, or public entity for participation. At December 31, 2014, there were 43 participants, including the County. The County is responsible for administration of the plan and its reserves. Participant contributions, except for Westmount, which are financed on a pay-as-you-go basis, are financed on an estimated claim basis with excess contributions transferred to the reserve at the end of the fiscal year.

Grant Programs

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

16. COMMITMENTS AND CONTINGENCIES (Continued)

Third Party Rate Adjustments - Westmount Health Facility

Net patient service revenue is reported at estimated net realizable amounts from residents, third-party payers, and others for services rendered and include estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

Revenue from the Medicare and Medicaid programs accounted for approximately 20% and 50%, respectively, of the Westmount Health Facility's net patient service revenue for the year ended December 31, 2014. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The 2014 net patient service revenue increased approximately \$379,000, as a result of the final settlements in excess of amounts previously estimated.

Public Health Reimbursement

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

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

Regulatory – Westmount Health Facility

Westmount Health Facility is subject to compliance with laws and regulations of various governmental agencies. Recently, governmental review of compliance with these laws and regulations has increased, resulting in fines and penalties for noncompliance by individual health care providers. While no outstanding regulatory actions exist at December 31, 2014, compliance with these laws and regulations is subject to future government review, interpretation or actions which are unknown and unasserted at this time.

Tobacco Settlement

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

17. ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET IMPLEMENTED

In June 2012, the GASB issued Statement No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This Statement establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement as well as for non-employer governments that have a legal obligation to contribute to those plans. The County is required to adopt the provisions of this Statement for the year ending December 31, 2015, with early adoption encouraged.

In November 2013, the GASB issued Statement No. 71, *Pension Transitions for Contributions Made Subsequent to the Transition Date – an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The County is required to adopt the provisions of this Statement in conjunction with GASB Statement No. 68, for the year ending December 31, 2015, with early adoption encouraged.

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. The objective of this Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The County is required to adopt the provisions of this Statement for the year ending December 31, 2016.

In June 2015, the GASB issued Statement 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* and amends certain provisions of Statement No. 67 *Financial Reporting for Pension Plans*. The objective of this Statement is to improve the usefulness of information about pensions included in general purpose external financial reports of state and local governments for making decisions and accessing accountability. This Statement establishes requirements for defined contribution plans and defined benefit pensions not within the scope of Statement 68, *Accounting and Financial Reporting for Pensions*, as well as, assets accumulated for the purpose of providing for those pensions. Statement 73 also clarifies the application of certain provisions of Statements 67 and 68 with regards to information required to be presented in the notes, accounting and financial information reporting for separately financed specific liabilities and the timing of employer recognition of revenue for the support of non-employer contributing entities not in a special funding situation. The County is required to adopt the provisions of this Statement for the year ending December 31, 2017.

17. ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET IMPLEMENTED – (Continued)

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* – a replacement of GASB Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, as amended and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. Also, it includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*. The objective of this Statement is to improve the effectiveness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local government OPEB plans. It provides for decision-useful information, supporting assessments of accountability and inter-period equity, and additional transparency. This statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet specified criteria. The County is required to adopt the provisions of this Statement for the year ending December 31, 2017, with early adoption encouraged.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* – a replacement of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The objective of this Statement is to establish standards for recognizing and measuring liabilities, expenditures and deferred inflows of resources related to other postemployment benefit plans (OPEB). In regards to defined benefit OPEB plans, this statement defines the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employment service. This Statement also details recognition and disclosure requirements for employers with payables to defined benefit OPEB plans administered through trusts and for employers whose employees are provided with defined contribution OPEB plans. The County is required to adopt the provisions of this Statement for the year ending December 31, 2018, with early adoption encouraged.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* which supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, paragraphs 64, 74, and 82. Statement No. 76 reduces the number of categories of authoritative generally accepted accounting principles (GAAP) hierarchy and the framework for selecting those principles to two categories. The primary category “Category A” will consist of officially established GASB Statements and GASB Interpretations heretofore issued and currently in effect. The second category “Category B” will consist of GASB Technical Bulletins, GASB Implementation Guides when presented in the form of a *Comprehensive Implementation Guide*, and literature of the AICPA cleared by the GASB. The goal of Statement No. 76 is to help governments apply financial reporting guidance with less variability, therefore improving usefulness and comparability of financial statement information among state and local governments. The County is required to adopt the provisions of Statement No. 76 for the year ending December 31, 2016, and should be adopted retroactively, with early adoption permitted.

17. ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET IMPLEMENTED – (Continued)

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*, which improves financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public presently. Users will be better equipped to understand 1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and 2) the impact those abatements have on a government's financial position and economic condition. The County is required to adopt the provisions of this Statement for the year ending December 31, 2016, with early implementation encouraged.

The County has not yet assessed the impact of these statements on its future financial statements.

18. SUBSEQUENT EVENTS

In April 2015, the County approved a loan to the Westmount Health Facility of \$1,400,000 to cover cash shortfalls. The entire amount was transferred to the Facility in April 2015. The loan is due within one year, along with interest at an annual rate of .25%.

In May 2015, the County Board authorized the issuance of \$16,500,000 serial bonds for the construction and additions for the court expansion, construction and reconstruction of existing court facilities, and other site improvements and equipment acquisitions.

The County has negotiated an agreement with a private company for the purchase of the Westmount Health Facility for \$2,300,000 which is anticipated to occur by the end of 2015.

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF WARREN, NEW YORK

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUE:				
Real property taxes	\$ 29,520,966	\$ 29,520,966	\$ 29,752,654	\$ 231,688
Real property tax items	1,998,300	1,998,300	2,614,357	616,057
Sales and use tax	53,202,500	53,202,500	55,009,339	1,806,839
Departmental income	12,435,853	12,519,015	11,685,518	(833,497)
Intergovernmental charges	1,001,102	1,005,102	1,284,038	278,936
Use of money and property	815,392	815,392	828,947	13,555
Licenses and permits	428,000	458,357	550,241	91,884
Fines and forfeitures	323,134	323,209	813,054	489,845
Sale of property and compensation for loss	415,100	417,338	673,516	256,178
Miscellaneous local sources	503,595	508,197	1,129,520	621,323
State aid	12,995,851	13,408,167	12,740,385	(667,782)
Federal aid	10,852,730	11,825,728	10,902,832	(922,896)
Total revenue	124,492,523	126,002,271	127,984,401	1,982,130
EXPENDITURES:				
General government support	38,023,076	38,146,577	37,056,648	1,089,929
Education	2,307,623	2,307,623	2,224,742	82,881
Public safety	24,271,634	26,180,187	25,671,767	508,420
Health	15,644,609	16,039,833	14,193,412	1,846,421
Transportation	874,796	854,529	817,233	37,296
Economic assistance and opportunity	40,538,410	41,535,611	39,861,596	1,674,015
Culture and recreation	1,265,649	1,316,789	1,260,703	56,086
Home and community services	989,377	993,743	976,289	17,454
Employee benefits	84,615	84,755	28,040	56,715
Debt service - principal and interest	606,336	606,336	555,109	51,227
Total expenditures	124,606,125	128,065,983	122,645,539	5,420,444
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(113,602)	(2,063,712)	5,338,862	7,402,574
OTHER FINANCING SOURCES (USES):				
Interfund transfers in	-	58,531	58,764	233
Interfund transfers (out)	(3,478,655)	(4,883,121)	(4,581,441)	301,680
Total other sources (uses)	(3,478,655)	(4,824,590)	(4,522,677)	301,913
EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES, ENCUMBRANCES, AND OTHER FINANCING USES	(3,592,257)	(6,888,302)	816,185	7,704,487
FUND BALANCE - beginning of year	22,684,663	22,684,663	22,684,663	-
FUND BALANCE - end of year	\$ 19,092,406	\$ 15,796,361	\$ 23,500,848	\$ 7,704,487

SUPPLEMENTARY INFORMATION

COUNTY OF WARREN, NEW YORK
BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	<u>Special Grant</u>	<u>County Road</u>	<u>Road Machinery</u>	<u>Sewer</u>	Total Non-Major Governmental <u>Funds</u>
ASSETS:					
Cash	\$ 22,139	\$ 798,009	\$ 1,165,396	\$ 19,785	\$ 2,005,329
Restricted Cash	-	501,029	72,834	-	573,863
Accounts receivable	-	104,953	8,439	63	113,455
State and federal receivables	153,158	1,796,571	-	-	1,949,729
Prepaid expenditures	14,596	119,532	33,852	-	167,980
Inventory	-	94,850	180,513	-	275,363
Due from other governments	-	19,276	192,783	-	212,059
Due from other funds	-	41,534	24,592	-	66,126
	<u>-</u>	<u>41,534</u>	<u>24,592</u>	<u>-</u>	<u>66,126</u>
TOTAL ASSETS	<u>189,893</u>	<u>3,475,754</u>	<u>1,678,409</u>	<u>19,848</u>	<u>5,363,904</u>
LIABILITIES:					
Accounts payable	3,634	221,241	162,150	-	387,025
Accrued liabilities	5,825	45,027	7,199	-	58,051
Compensated absences	25,938	169,368	41,139	-	236,445
Due to other governments	57,179	-	2,020	-	59,199
Unearned revenue	391	-	-	-	391
Due to other funds	96,926	707,034	-	-	803,960
	<u>96,926</u>	<u>707,034</u>	<u>-</u>	<u>-</u>	<u>803,960</u>
TOTAL LIABILITIES	<u>189,893</u>	<u>1,142,670</u>	<u>212,508</u>	<u>-</u>	<u>1,545,071</u>
FUND BALANCE:					
Nonspendable	14,596	214,382	214,365	-	443,343
Assigned	(14,596)	2,118,702	1,251,536	19,848	3,375,490
	<u>-</u>	<u>2,333,084</u>	<u>1,465,901</u>	<u>19,848</u>	<u>3,818,833</u>
TOTAL FUND BALANCE	<u>-</u>	<u>2,333,084</u>	<u>1,465,901</u>	<u>19,848</u>	<u>3,818,833</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 189,893</u>	<u>\$ 3,475,754</u>	<u>\$ 1,678,409</u>	<u>\$ 19,848</u>	<u>\$ 5,363,904</u>

The accompanying notes are an integral part of this statement.

COUNTY OF WARREN, NEW YORK
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE -
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Special Grant	County Road	Road Machinery	Sewer	Total Non-Major Governmental Funds
REVENUE:					
Real property taxes	\$ -	\$ 8,731,501	\$ 1,308,751	\$ 6,000	\$ 10,046,252
Other departmental income	-	-	-	7,149	7,149
Intergovernmental charges	-	47,376	-	-	47,376
Use of money and property	-	16,656	3,867	-	20,523
Sale of property and compensation for loss	-	88,605	154,401	-	243,006
Miscellaneous local sources	-	442	275	-	717
Interfund revenues	-	40,016	1,505,700	-	1,545,716
State aid	-	1,791,227	-	-	1,791,227
Federal aid	<u>1,388,592</u>	<u>2,160</u>	<u>10,771</u>	<u>-</u>	<u>1,401,523</u>
Total revenues	<u>1,388,592</u>	<u>10,717,983</u>	<u>2,983,765</u>	<u>13,149</u>	<u>15,103,489</u>
EXPENDITURES:					
General government support	-	70,736	67,756	-	138,492
Public safety	-	550,050	-	-	550,050
Transportation	-	9,805,276	2,100,950	-	11,906,226
Economic assistance and opportunity	1,014,801	-	-	-	1,014,801
Debt Principal	-	382,110	-	-	382,110
Debt Interest	-	15,353	-	-	15,353
Home and community services	373,791	-	-	13,631	387,422
Employee benefits	<u>-</u>	<u>137,976</u>	<u>29,841</u>	<u>-</u>	<u>167,817</u>
Total expenditures	<u>1,388,592</u>	<u>10,961,501</u>	<u>2,198,547</u>	<u>13,631</u>	<u>14,562,271</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(243,518)</u>	<u>785,218</u>	<u>(482)</u>	<u>541,218</u>
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	-	1,058,247	4,072	-	1,062,319
Interfund transfer (out)	<u>-</u>	<u>(598,891)</u>	<u>(176,507)</u>	<u>-</u>	<u>(775,398)</u>
	<u>-</u>	<u>459,356</u>	<u>(172,435)</u>	<u>-</u>	<u>286,921</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>-</u>	<u>215,838</u>	<u>612,783</u>	<u>(482)</u>	<u>828,139</u>
FUND BALANCE - beginning of year	<u>-</u>	<u>2,117,246</u>	<u>853,118</u>	<u>20,330</u>	<u>2,990,694</u>
FUND BALANCE - end of year	<u>\$ -</u>	<u>\$ 2,333,084</u>	<u>\$ 1,465,901</u>	<u>\$ 19,848</u>	<u>\$ 3,818,833</u>

The accompanying notes are an integral part of this statement.

REQUIRED REPORTS UNDER OMB CIRCULAR A-133

INDEPENDENT AUDITOR'S 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

September 22, 2015

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

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 business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Warren, New York (County) as of and for the year ended December 31, 2014, 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 22, 2015. Our report includes a reference to other auditors who audited the financial statements of Westmount Health Facility and 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. The financial statements of Westmount Health Facility were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the auditing 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.

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INDEPENDENT AUDITOR'S 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 (CONTINUED)

Internal Control Over Financial Reporting (Continued)

Our consideration of internal control 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control 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 result 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.

Bonadio & Co., LLP

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

September 22, 2015

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

Report on Compliance for Each Major Federal Program

We have audited the County of Warren, New York's (County) compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2014. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 on 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, 2014.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

(Continued)

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 our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County'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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Bonadio & Co., LLP

COUNTY OF WARREN, NEW YORK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass through/ Contract Number	Federal Expenditures
U.S. Department of Agriculture/ Passed through New York State Department of Health/ Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	C025807	\$ 1,190,001
Passed through New York State Office of Temporary and Disability Assistance/ State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	N/A	<u>724,036</u>
Total U.S. Department of Agriculture			<u>1,914,037</u>
U.S. Department of Housing and Urban Development/ Community Development Block Grant - State's Program	14.228	1197PF42-12	<u>373,792</u>
Total U.S. Department of Housing and Urban Development			<u>373,792</u>
U.S. Department of Justice/ State Criminal Alien Assistance Program	16.606	N/A	966
Equitable Sharing Program	16.922	N/A	84,409
Passed through New York State Division of Criminal Justice Services/ Law Enforcement Assistance - Narcotics and Dangerous Drugs Training	16.004	N/A	<u>21,146</u>
Total U.S. Department of Justice			<u>106,521</u>
U.S. Department of Labor/ Passed through Saratoga County, New York/ <u>WIA Cluster</u> Workforce Investment Act Adult Programs	17.258	N/A	375,952
Workforce Investment Act Youth Activities	17.259	N/A	<u>254,453</u>
<u>Total WIA Cluster</u>			630,405
Workforce Investment Act Dislocated Workers	17.260	N/A	<u>303,543</u>
Total U.S. Department of Labor			<u>933,948</u>
U.S. Department of Transportation/ Airport Improvement Program	20.106	N/A	1,038,755
Passed through New York State Department of Transportation/ Highway Planning and Construction	20.205	Various	<u>1,845,896</u>
Total U.S. Department of Transportation			<u>2,884,651</u>
U.S. Department of Education/ Passed through New York State Department of Health/ Special Education - Grants for Infants and Families	84.181	C-027516	<u>25,353</u>
U.S. Department of Health and Human Services/ Passed through New York State Office for Aging: Special Programs for the Aging, Title VII, Chapter 3 - Programs for prevention of elder abuse, neglect, and exploitation	93.041	N/A	13,212
Special Programs for the Aging, Title VII, Chapter 2 - Long term care ombudsman services for older individuals	93.042	N/A	447
Special Programs for the Aging, Title III, Part D - Disease prevention and health promotion services	93.043	N/A	5,950
<u>Aging Cluster</u> Special Programs for Aging, Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	N/A	101,664
Special Programs for Aging, Title III, Part C - Nutrition service	93.045	N/A	184,773
Nutrition Services Incentive Program	93.053	N/A	<u>100,424</u>
Total Aging Cluster			<u>386,861</u>
National Family Caregiver Support, Title III, Part E	93.052	N/A	59,565
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	N/A	73,774

(Continued)

COUNTY OF WARREN, NEW YORK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
 FOR THE YEAR ENDED DECEMBER 31, 2014

U.S. Department of Health and Human Services/			
Passed through Health Research Incorporated/			
Public Health Emergency Preparedness	93.069	1628-10	51,828
Passed through New York State Office of Children and Family Services/			
Promoting Safe and Stable Families	93.556	581-A-030	15,791
Temporary Assistance for Needy Families	93.558	N/A	3,142,265
Temporary Assistance for Needy Families - Summer	93.558	N/A	80,852
Stephanie Tubbs Jones Child Welfare Services Program	93.645	N/A	7,168
Foster Care	93.658	N/A	1,262,962
Adoption Assistance	93.659	N/A	646,661
Social Services Block Grant	93.667	N/A	278,730
Passed through New York State Office of Temporary and Disability Assistance/			
Child Support Enforcement	93.563	N/A	411,503
Low-Income Home Energy Assistance	93.568	N/A	3,004,762
Medical Assistance Program	93.778	N/A	1,436,273
Passed through New York State Office of Alcoholism and Substance Abuse Services/			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	221,642
Passed through New York State Department of Health/			
Preventive Health and Health Services Block Grant	93.991	C-026544	26,848
Maternal and Child Health Services Block Grant to the States	93.994	C-024650	15,399
Total U.S. Department of Health and Human Services			<u>11,142,493</u>
U.S. Department of Homeland Security/			
Passed through New York State Division of Homeland Security and Emergency Services/			
Emergency Management Performance Grant	97.042	T837335	35,203
Homeland Security Grant Program	97.067	various	253,917
Total U.S. Department of Homeland Security			<u>289,120</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 17,669,915</u>

COUNTY OF WARREN, NEW YORK

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2014

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 (County), under programs of the federal government for the year ended December 31, 2014. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a 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 for the County.

2. BASIS OF ACCOUNTING

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

3. INDIRECT COSTS

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

4. MATCHING COSTS

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

5. SUB-RECIPIENTS

No amounts were provided to sub-recipients.

6. NONCASH AWARDS

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount</u>
U.S. Department of Health and Human Services Low Income Home Energy Assistance Value of NYS Comptroller expenditures	93.568	\$3,004,762

COUNTY OF WARREN, NEW YORK

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2014**

SECTION 1. FINANCIAL STATEMENT FINDINGS

None reported.

SECTION 2. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

COUNTY OF WARREN, NEW YORK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2014

SECTION 1. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

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

Type of auditor's report issued on compliance for major programs:
Unmodified

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

COUNTY OF WARREN, NEW YORK

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014 (Continued)**

SECTION 1. SUMMARY OF AUDITOR'S RESULTS (Continued)

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program
93.568	Low-Income Home Energy Assistance
93.659	Adoption Assistance
93.778	Medical Assistance Program

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

\$530,097

Auditee qualified as low-risk auditee?

X Yes No

SECTION 2. FINANCIAL STATEMENT FINDINGS

None reported.

SECTION 3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.