

**COUNTY OF WARREN, NEW YORK**

**Financial Statements and Required Reports  
Under OMB Circular A-133  
December 31, 2012**

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

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## **INDEPENDENT AUDITOR'S REPORT**

September 18, 2013

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, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Westmount Health Facility (a proprietary fund), which represents 100 percent of the assets, net position, and revenues of the business-type activities. We did not audit the financial statements of the Warren County Local Development Corporation, which represent 38%, -42%, and 6%, respectively, of the assets, net position, and revenue of the discretely presented component units.

### **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 (a proprietary fund), which represents 100 percent of the assets, net position, and revenues of the business-type activities. We did not audit the financial statements of the Warren County Local Development Corporation, which represent 38%, -42%, and 6%, respectively, of the assets, net position, and revenue of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the Westmount Health Facility and Warren County Local Development Corporation, is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 our audit and the reports of other auditors provide a reasonable basis for our 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, 2012, 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 4-13, and 53 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 as a whole. The balance sheet – non-major governmental funds and statement of revenues, expenditures, and changes in fund balance – non-major governmental funds on pages 55 and 56, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, on pages 60-62 is presented for purposes of additional analysis and is also not a required part of the financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and 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.

## **INDEPENDENT AUDITOR'S REPORT (Continued)**

### **Report on Supplementary Information (Continued)**

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the information is fairly stated, in all material respects in relation to the basic financial statements as a whole.

The balance sheet – non-major governmental funds and statement of revenues, expenditures, and changes in fund balance – non-major governmental funds on pages 55 and 56, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2013, 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.

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

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE YEAR ENDED DECEMBER 31, 2012**

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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, 2012. This document should be read in conjunction with the County's financial statements which begin on page 15.

#### **FINANCIAL HIGHLIGHTS**

- The County's net position increased by \$3.6 million as a result of this year's activity, which is illustrated in the Statement of Activities. Included in this amount is a \$0.7 million decrease for the Westmount Health Facility under Business Type Activities.
- The County's \$149.3 million in governmental and business-type activity expenses were partially funded with program revenue of \$56.7 million with \$96.9 million funded with general revenue, which is illustrated in the Statement of Activities.
- The modified 2012 budget planned for a decrease in the General Fund balance of approximately \$2.6 million; however, there was an actual operating surplus of \$5.8 million, resulting in a budget surplus of \$8.4 million, which is illustrated in the Combined Statement of Revenue, Expenditures and Changes in Fund Equity - Budget and Actual - General Fund.
- In November, the County received \$1.3 million in proceeds from the closure of the waste management fund, which was transferred to the 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 assets and changes in them. You can think of the County's net position – the difference between assets and liabilities – as one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net 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.

## **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 increased from \$57.3 million to \$61.0 million. Net position may serve over time as one useful indicator of a government’s financial condition. This reflects a \$3.7 million increase over the 2012 net position amount. The majority of the County’s net position is capital assets (e.g. land, buildings, infrastructure, machinery, and equipment) net of related outstanding debt used to acquire those assets. The County uses these assets to provide services to citizens; consequently these assets are not available for future spending. Program expenses in 2012 for the County’s Governmental Activities decreased by \$5.3 million, which represents a 3.6% decrease. The 3.6% decrease is primarily a result of the following attributing factors: a \$0.8 million decrease in the retiree’s health insurance postemployment benefit obligation required by GASB #45; a \$0.6 million increase in sales tax distributions due to an increase in sales tax revenue for 2012; a \$0.6 million decrease in intergovernmental transfer (IGT) local share costs as a result of the State paying 2010 and 2011 IGT funding in 2011; a \$0.4 million decrease in interest costs due to a decline in outstanding debt; a \$0.5 million increase due to the settlement of the Hudson River-Black River Regulating District assessment appeal; a \$1.6 million decrease relating to a change in accounting treatment of interdepartmental charges of equipment rental by the Road Machinery fund.

Charges for services for Transportation decreased by \$2.4 million which is related to reduced capital project costs which is further explained in Table 4. Charges for services for Home and Community Services decreased by \$1.5 million which is related to the sale of the intermunicipal waste disposal plant in 2011.

Current assets in 2012 for the County’s Governmental and Business-Type activities increased by \$5.5 million and decreased by \$0.2 million, respectively. The increase associated with the County’s Governmental activities is primarily the result of a \$7.5 million increase in cash and a \$2.4 million decrease in state and federal receivables.

Long-term liabilities outstanding in 2012 for the County’s Governmental increased by \$1.7 million. The increase is partially the result of a \$5.9 million increase in the postemployment benefit obligation required by GASB # 45; a \$2.2 million reduction in bonds payable and a \$1.0 million reduction in workers compensation settlements and claims.

## THE COUNTY AS A WHOLE (Continued)

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

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 62.9	\$ 57.4	\$ 3.0	\$ 3.2	\$ 65.9	\$ 60.6
Capital assets	<u>112.2</u>	<u>110.9</u>	<u>3.3</u>	<u>3.2</u>	<u>115.6</u>	<u>114.1</u>
Total assets	<u>\$ 175.1</u>	<u>\$ 168.3</u>	<u>\$ 6.4</u>	<u>\$ 6.4</u>	<u>\$ 181.5</u>	<u>\$ 174.7</u>
Long-term debt outstanding	\$ 80.7	\$ 79.0	\$ 6.1	\$ 5.9	\$ 86.8	\$ 84.9
Other liabilities	<u>32.0</u>	<u>31.2</u>	<u>1.7</u>	<u>1.3</u>	<u>33.7</u>	<u>32.5</u>
Total liabilities	<u>\$ 112.7</u>	<u>\$ 110.2</u>	<u>\$ 7.8</u>	<u>\$ 7.2</u>	<u>\$ 120.5</u>	<u>\$ 117.4</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 73.8	\$ 69.0	\$ 1.7	\$ 1.2	\$ 75.5	\$ 70.2
Restricted	5.7	4.4	-	-	5.7	4.4
Unrestricted	<u>(17.1)</u>	<u>(15.3)</u>	<u>(3.1)</u>	<u>(1.9)</u>	<u>(20.2)</u>	<u>(17.3)</u>
Total net assets	<u>\$ 62.4</u>	<u>\$ 58.1</u>	<u>\$ (1.4)</u>	<u>\$ (0.7)</u>	<u>\$ 61.0</u>	<u>\$ 57.3</u>

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

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Program revenue:						
Charges for services	\$ 16.3	\$ 20.5	\$ 6.2	\$ 6.4	\$ 22.6	\$ 26.9
Operating grants	24.3	25.9	0.5	0.3	24.8	26.2
Capital grants	7.7	9.7	-	-	7.7	9.7
General revenue:						
Property taxes	40.4	39.5	-	-	40.4	39.5
Other taxes	52.9	51.6	-	-	52.9	51.6
Other general revenue	0.8	1.0	1.6	2.8	2.5	3.8
<b>Total revenue</b>	<u>142.6</u>	<u>148.2</u>	<u>8.3</u>	<u>9.5</u>	<u>150.9</u>	<u>157.7</u>
Program expenses:						
General governmental support	35.5	38.8	-	-	35.5	38.8
Education	2.1	2.1	-	-	2.1	2.1
Public safety	27.1	26.8	-	-	27.1	26.8
Health	15.1	15.8	-	-	15.1	15.8
Transportation	15.4	15.5	-	-	15.4	15.5
Economic Assistance and Opportunity	40.3	41.1	-	-	40.3	41.1
Culture and recreation	1.8	1.6	-	-	1.8	1.6
Home and community services	1.5	2.1	-	-	1.5	2.1
Debt service	1.4	1.8	-	-	1.4	1.8
Westmount Health Facility	-	-	9.0	8.7	9.0	8.7
<b>Total expenses</b>	<u>140.3</u>	<u>145.6</u>	<u>9.0</u>	<u>8.7</u>	<u>149.3</u>	<u>154.3</u>
<b>Change in net assets</b>	<u>\$ 2.2</u>	<u>\$ 2.6</u>	<u>\$ (0.7)</u>	<u>\$ 0.8</u>	<u>\$ 1.6</u>	<u>\$ 3.4</u>

**Program revenue –**

Charges for services for Governmental Activities decreased by \$4.2 million from 2011, of which \$2.1 million is attributable to the sale of the inter-municipal waste disposal plant in 2011 and \$1.6 million is a decrease from a change in accounting treatment of interdepartmental charges of equipment rental by the Road Machinery fund.

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

Capital grants for Governmental Activities decreased by \$2.0 million from 2011, of which \$6.6 million is attributable to a reduction in the Corinth Road capital project grant revenue and \$2.8 million is attributable to an increase in Beach Road capital project grant revenue.

General revenue for Governmental Activities –

Other taxes increased by \$1.3 million, of which \$1.2 million relates to an increase in sales tax revenues.

Program expenses –

General governmental support decreased by \$3.3 million from 2011. Notable increases were a \$0.6 million increase in sales tax distributions due to an increase in sales tax revenue; a \$0.8 million increase in the retiree’s health insurance postemployment benefit obligation required by GASB #45; a \$0.5 million increase due to the settlement of the Hudson River-Black River Regulation District assessment appeal. One notable decrease relates to a \$1.6 million decrease from a change in accounting treatment of interdepartmental charges of equipment rental by the Road Machinery fund.

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)**

	2012		2011	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Economic Assistance and Opportunity	\$ 40.3	\$ 22.5	\$ 41.1	\$ 22.1
Public safety	27.1	24.1	26.8	24.7
General support	35.5	29.9	38.8	23.0
Transportation	15.4	7.3	15.5	11.2
Health	15.1	4.5	15.8	3.7
All others	<u>6.9</u>	<u>3.6</u>	<u>7.6</u>	<u>4.7</u>
Totals	<u>\$ 140.3</u>	<u>\$ 91.9</u>	<u>\$ 145.6</u>	<u>\$ 89.4</u>

The increase in the Net Cost of Services for General Support is attributable to decreases in cost of \$3.3 million and the decrease in capital grants of \$7.9 million which 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 \$24.7 million, which was \$5.3 million more than last year's total of \$19.4 million. Included in this year's total change in fund balance is a current surplus of \$5.8 million in the County's General Fund. The County budgeted for a \$2.6 million decrease in the General Fund resulting in a budget surplus of \$8.4 million for 2012.

A comparative overview of the Governmental Funds results for 2012 and 2011 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)**

	2012 Revenue	2012 % of Total	2011 Revenue	2011 % of Total
Real property taxes	\$ 38.0	26.3%	\$ 37.6	25.3%
Real property tax items	2.3	1.6%	2.1	1.4%
Sales and use taxes	52.9	36.7%	51.6	34.8%
Departmental income	13.5	9.3%	12.7	8.6%
Intergovernmental charges	1.3	0.9%	3.5	2.4%
Use of money and property	0.8	0.6%	1.0	0.7%
Licenses and permits	0.4	0.3%	0.1	0.1%
Fines and forfeitures	0.4	0.3%	0.4	0.3%
Sale of property and comp for loss	0.7	0.5%	2.7	1.8%
Miscellaneous local sources	2.1	1.4%	1.1	0.7%
State aid	16.0	11.1%	15.1	10.2%
Federal aid	16.1	11.1%	20.5	13.8%
<b>Total revenue</b>	<b>\$ 144.4</b>	<b>100.0%</b>	<b>\$ 148.4</b>	<b>100.0%</b>
	2012 Expenditures	2012 % of Total	2011 Expenditures	2011 % of Total
General governmental support	\$ 35.5	25.3%	\$ 35.3	24.0%
Education	2.1	1.5%	2.1	1.4%
Public safety	24.5	17.5%	21.7	14.8%
Health	14.3	10.2%	14.5	9.9%
Transportation	16.9	12.1%	23.1	15.7%
Economic Assistance and Opportunity	39.5	28.2%	40.1	27.3%
Culture and recreation	1.7	1.2%	1.4	1.0%
Home and community services	1.4	1.0%	1.9	1.3%
Employee benefits	0.2	0.1%	2.0	1.4%
Debt service - principal and interest	4.1	3.0%	5.0	3.4%
<b>Total expenditures</b>	<b>\$ 140.2</b>	<b>100.0%</b>	<b>\$ 147.1</b>	<b>100.0%</b>

Sales and use taxes increased by \$1.3 million, of which \$1.2 million is attributable to an increase in sales tax.

Intergovernmental charges decreased by \$2.2 million, of which \$1.6 million is the result of a change in accounting treatment of interdepartmental charges of equipment rental by the Road Machinery fund.

Sale of property and compensation for loss decreased by \$2.0 million from 2011 which is attributable to the sale of the inter-municipal waste disposal plant in 2011.

## **THE COUNTY'S FUNDS (Continued)**

Federal aid decreased by \$4.4 million from 2011, of which \$6.4 million is attributable to a reduction in federal revenue for the Corinth Road capital project and \$2.4 million is attributable to an increase in federal revenue for the Beach Road capital project.

Public safety increased by \$2.8 million from 2011 of which \$0.8 million is attributable to purchase of 911 equipment; \$0.5 million is attributable to the allocation of retiree's health insurance to all departments starting in 2012 and \$0.3 million is attributable to increases in retirement costs

Transportation decreased by \$6.2 million from 2011 of which \$6.5 million is attributable to a decrease in construction costs for the Corinth Road capital project; \$3.0 million is attributable to an increase in construction costs for the Beach Road capital project; \$1.1 million is attributable to a decrease in construction costs for the Harrington Road Bridge capital project; \$1.0 million is attributable to a decrease in construction costs related to the 2011 storm damage and \$1.4 million is attributable to an increase in road maintenance and construction costs.

Employee benefits decreased by \$1.8 million from 2011 which is attributable to an allocation of retiree's health insurance benefits to all departments starting in 2012.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The County's original budget was increased by \$2.3 million during the course of the year. This amount includes \$0.3 million for a Homeland Security grant; \$0.7 million for a 911 equipment grant; \$0.5 million relating to transfers to various DPW and \$0.4 million for an increase in the Tourism program.

The actual charges to appropriations (expenditures) were \$3.3 million below the final budget amounts. The most significant favorable variance occurred in health which was below budgeted amounts by \$3.0 million. The health variance consists of a \$0.3 million under expenditure for Health Services contractual services, a \$2.0 million under expenditure for the Physically Handicapped Children program, a \$0.3 million under expenditure for the Early Intervention program and a \$0.4 million under expenditure for disease control . Another significant favorable variance occurred in the County's Economic assistance and opportunity which was less than budgeted amounts by \$1.6 million. This variance consists of favorable variances of \$0.3 million for Medical Assistance program and \$0.4 million for Social Services Home Relief. A significant unfavorable variance occurred in the County's General government support which was \$2.0 million more than budgeted amounts. This variance primarily consists of \$2.7 million for distributions of sales tax due to an increase in sales tax revenue for 2012.

## GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)

Resources available for appropriation were \$4.8 million more than the final budgeted amount. The most significant unfavorable variance occurred in the County's state aid which was less than budgeted amounts by \$2.3 million. This variance consists of unfavorable variances of \$1.2 million for the Physically Handicapped Children, \$0.3 for Social Services Aid to Dependent Children, \$0.3 for Social Services Home Relief and favorable variances of \$0.9 million for Social Services Administration. The most significant favorable variance occurred in the County's sales and use tax which exceeded budgeted amounts by \$7.6 million, of which \$2.0 million relates to the portion of occupancy tax revenues which are budgeted to be used in the subsequent year out of the reserve and \$5.5 million relates to an increase in sales tax revenue. There were no other significant unfavorable or favorable variances to discuss.

The final 2012 budget planned on a decrease in the General Fund balance of a \$2.6 million; however, the actual fund balance was increased by \$5.8 million, resulting in a budget surplus of \$6.0 million, which is explained in the above analysis.

### Capital Assets

At December 31, 2012, the County had \$110.8 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)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 4.9	\$ 4.9	\$ -	\$ -	\$ 4.9	\$ 4.9
Land improvements	-	-	0.1	0.1	0.1	0.1
Buildings and improvements	45.3	46.8	1.4	1.3	46.7	48.1
Vehicles and equipment	5.9	5.2	1.7	1.7	7.6	6.9
Infrastructure	27.6	25.0	-	-	27.6	25.0
Construction work in progress	<u>28.5</u>	<u>28.9</u>	<u>-</u>	<u>-</u>	<u>28.5</u>	<u>28.9</u>
Totals	<u>\$ 112.2</u>	<u>\$ 110.8</u>	<u>\$ 3.2</u>	<u>\$ 3.1</u>	<u>\$ 115.4</u>	<u>\$ 113.9</u>

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

Airport Runway Construction, paid for with State and Federal aid and County funds (cost included in construction WIP with a total cost as of 12/31/12 of \$1.6)	\$1.6
Runway #1 Safety Area Construction, paid for with State and Federal aid and County funds (cost included in construction WIP with a total cost as of 12/31/12 of \$2.2)	\$2.2

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

### Debt

At year-end, the County had \$33.0 million in bonds outstanding versus \$35.3 million last year. In 2012, the County issued \$11,340,000 in General Obligation Bonds with an average interest rate of 2.4% to advance refund \$11,500,000 of the 2003 Series bonds to reduce its total debt service payments over the next 12 years by \$724,781 and to obtain an economic gain (difference between the present values of the debt service payments on the old and the new debt) of \$643,432.

At year-end, the County had \$3.1 million in bond anticipation notes outstanding versus \$4.2 million last year. The debt consists of \$0.4 million for the Abatement and Demolition of Annex Building, \$0.3 million for the Sheriff vehicle/bridge rehabilitation, \$3.0 million for various DPW construction projects and \$0.1 million for the purchase of Gaslight Village property.

At year-end, the County had \$3.8 million in capital leases outstanding versus \$4.3 million last year. There were no new capital leases in 2012.

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

The County's elected and appointed officials considered many factors when setting the fiscal year 2012 budget, tax rates, and fees that will be charged for the business-type activities. One of these factors is the economy. 2012 average unemployment in the County was 8.3% versus 8.2% the previous year. This is comparable with the 2012 State's average unemployment rate of 8.5% and the national average rate of 8.1%.

This indicator was taken into account when adopting the General Fund budget for 2013. Amounts available for appropriation in the General Fund budget are \$124.6 million, an increase of \$3.5 million over the final 2012 budget of \$121.1 million. This represents a 2.9% 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 \$3.2 million by the close of 2013.

## **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, 2012

	Primary Government			Component Units
	Governmental Activities	Business Type Activities	Total	
<b>ASSETS:</b>				
<b>CURRENT ASSETS:</b>				
Cash	\$ 14,805,620	\$ 482,064	\$ 15,287,684	\$ 810,676
Restricted cash	8,314,320	11,687	8,326,007	34,097
Cash with fiscal agent	252,535	-	252,535	-
Restricted Investments	-	-	-	437,288
Taxes receivable, net of an allowance for uncollectible taxes of \$100,000	13,559,824	-	13,559,824	-
Accounts receivable, net of allowance for uncollectible amounts of \$63,060	2,089,505	662,555	2,752,060	875,000
Loans receivable, current portion, net of allowance for doubtful accounts of \$162,000	-	-	-	48,959
State and federal receivables	19,125,903	-	19,125,903	-
Due from governmental activities	-	11,467	11,467	-
Due from business type and fiduciary activities	1,310,723	-	1,310,723	-
Due from third party payors	-	1,661,974	1,661,974	-
Due from other governments	1,453,094	-	1,453,094	-
Prepaid expenses	1,606,956	145,918	1,752,874	-
Inventory	318,674	44,959	363,633	-
Other current assets	42,000	13,225	55,225	-
<b>Total current assets</b>	<b>62,879,154</b>	<b>3,033,849</b>	<b>65,913,003</b>	<b>2,206,020</b>
<b>NONCURRENT ASSETS:</b>				
Due from other governmental activities	-	85,358	85,358	-
Loan receivable, net of current portion	-	-	-	767,846
Capital assets, net	112,228,961	3,249,886	115,478,847	-
<b>Total noncurrent assets</b>	<b>112,228,961</b>	<b>3,335,244</b>	<b>115,564,205</b>	<b>767,846</b>
<b>Total Assets</b>	<b>\$ 175,108,115</b>	<b>\$ 6,369,093</b>	<b>\$ 181,477,208</b>	<b>\$ 2,973,866</b>
<b>LIABILITIES:</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable	5,102,558	177,693	5,280,251	-
Accrued expenses	889,919	155,081	1,045,000	19,767
Retainage payable	6,000	-	6,000	-
Capital lease obligations, current portion	233,666	321,390	555,056	-
Bonds payable, current portion	1,979,000	-	1,979,000	370,000
Bond anticipation notes	3,126,462	-	3,126,462	-
Other current liabilities	61,420	33,295	94,715	-
Due to fiduciary activities	749,909	-	749,909	-
Due to governmental activities	-	786,975	786,975	-
Due to other governments	16,849,921	-	16,849,921	106
Compensated absences	2,419,809	215,212	2,635,021	-
Unearned revenue	578,739	-	578,739	-
<b>Total current liabilities</b>	<b>31,997,403</b>	<b>1,689,646</b>	<b>33,687,049</b>	<b>389,873</b>
<b>LONG-TERM LIABILITIES:</b>				
Bonds payable, less current portion	31,068,000	-	31,068,000	6,426,739
Capital lease obligations, less current portion	2,006,147	1,273,325	3,279,472	-
Compensated absences	4,187,869	246,303	4,434,172	-
Other postemployment benefits	42,714,347	4,547,033	47,261,380	-
Settlements and claims	765,633	-	765,633	-
<b>Total long-term liabilities</b>	<b>80,741,996</b>	<b>6,066,661</b>	<b>86,808,657</b>	<b>6,426,739</b>
<b>Total liabilities</b>	<b>112,739,399</b>	<b>7,756,307</b>	<b>120,495,706</b>	<b>6,816,612</b>
<b>NET POSITION:</b>				
Net investment in capital assets	73,815,686	1,655,171	75,470,857	-
Restricted	5,681,373	13,225	5,694,598	483,555
Unrestricted	(17,128,343)	(3,055,610)	(20,183,953)	(4,326,301)
<b>Total net position</b>	<b>\$ 62,368,716</b>	<b>\$ (1,387,214)</b>	<b>\$ 60,981,502</b>	<b>\$ (3,842,746)</b>

The accompanying notes are an integral part of these statements.

COUNTY OF WARREN, NEW YORK

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2012

	Net (Expense) Revenue and Changes in Net Position							
	Program Revenue				Primary Government			
	Expenses	Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business-Type Activities	Total	Component Units
<b>PRIMARY GOVERNMENT:</b>								
Governmental activities:								
General governmental support	\$ 35,529,676	\$ 5,105,422	\$ 556,332	\$ -	\$ (29,867,922)	\$ -	\$ (29,867,922)	\$ -
Education	2,139,068	-	1,470,304	-	(668,764)	-	(668,764)	-
Public safety	27,102,368	1,389,880	1,599,150	-	(24,113,338)	-	(24,113,338)	-
Health	15,084,695	5,998,274	4,549,069	-	(4,537,352)	-	(4,537,352)	-
Transportation	15,410,926	350,424	16,056	7,720,177	(7,324,269)	-	(7,324,269)	-
Economic Assistance and Opportunity	40,309,876	2,262,251	15,591,143	-	(22,456,482)	-	(22,456,482)	-
Culture and recreation	1,818,018	113,562	111,350	-	(1,593,106)	-	(1,593,106)	-
Home and community services	1,528,730	1,022,641	442,237	7,984	(55,868)	-	(55,868)	-
Interest	<u>1,419,292</u>	<u>105,430</u>	<u>-</u>	<u>-</u>	<u>(1,313,862)</u>	<u>-</u>	<u>(1,313,862)</u>	<u>-</u>
Total governmental activities	140,342,649	16,347,884	24,335,641	7,728,161	(91,930,963)	-	(91,930,963)	-
Business-type activities:								
Westmount Health Facility	<u>8,983,490</u>	<u>6,224,594</u>	<u>458,485</u>	<u>-</u>	<u>-</u>	<u>(2,300,411)</u>	<u>(2,300,411)</u>	<u>-</u>
Total primary government	<u>\$ 149,326,139</u>	<u>\$ 22,572,478</u>	<u>\$ 24,794,126</u>	<u>\$ 7,728,161</u>	<u>\$ (91,930,963)</u>	<u>\$ (2,300,411)</u>	<u>\$ (94,231,374)</u>	<u>\$ -</u>
<b>COMPONENT UNITS:</b>								
Soil and Water Conservation District	\$ 623,883	\$ 308,674	\$ 180,557					\$ (134,652)
Local Development Corp.	118,033	93,715	-					(24,318)
Warren TASC	<u>768,573</u>	<u>-</u>	<u>-</u>					<u>(768,573)</u>
Total component units	<u>\$ 1,510,489</u>	<u>\$ 402,389</u>	<u>\$ 180,557</u>					<u>\$ (927,543)</u>
<b>GENERAL REVENUE:</b>								
Real property taxes					\$ 38,158,836	\$ -	\$ 38,158,836	\$ -
Real property tax items					2,251,233	-	2,251,233	-
Sales and use taxes					52,925,718	-	52,925,718	-
Use of money and property					808,202	1,609	809,811	28,694
Sale of property and compensation for loss					704,401	-	704,401	-
Other sources					<u>2,070,800</u>	<u>1,648,114</u>	<u>3,718,914</u>	<u>968,021</u>
Total general revenue					<u>\$ 96,919,190</u>	<u>\$ 1,649,723</u>	<u>\$ 98,568,913</u>	<u>\$ 996,715</u>
<b>OTHER SOURCES (USES):</b>								
Payments to escrow agent for bond refunding					<u>(677,350)</u>	<u>-</u>	<u>(677,350)</u>	<u>-</u>
Change in net position					\$ 4,310,877	\$ (650,688)	\$ 3,660,189	\$ 69,172
Net position - beginning of year					<u>58,057,839</u>	<u>(736,526)</u>	<u>57,321,313</u>	<u>(3,911,918)</u>
Net position - end of year					<u>\$ 62,368,716</u>	<u>\$ (1,387,214)</u>	<u>\$ 60,981,502</u>	<u>\$ (3,842,746)</u>

The accompanying notes are an integral part of these statements.

COUNTY OF WARREN, NEW YORK

BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2012

	General	Capital Projects	Debt Service	Non-Major Governmental Funds	Total
<b>ASSETS:</b>					
Cash	\$ 11,401,552	\$ 1,379,660	\$ -	\$ 2,024,408	\$ 14,805,620
Restricted cash	3,591,865	1,401,090	285,905	-	5,278,860
Cash with fiscal agent	-	252,535	-	-	252,535
Taxes receivable, net of an allowance for uncollectible taxes of \$100,000	13,559,824	-	-	-	13,559,824
Accounts receivable, net of allowance for uncollectible amounts of \$63,060	1,979,813	-	-	109,692	2,089,505
Due from other funds	6,355,272	590,143	1,427	397,240	7,344,082
State and federal receivables	11,292,530	6,424,286	-	1,409,087	19,125,903
Due from other governments	1,244,521	6,585	-	201,988	1,453,094
Prepaid expenditures	1,494,019	-	-	108,948	1,602,967
Inventory	63,562	-	-	255,112	318,674
Miscellaneous other assets	42,000	-	-	-	42,000
<b>Total assets</b>	<b>\$ 51,024,958</b>	<b>\$ 10,054,299</b>	<b>\$ 287,332</b>	<b>\$ 4,506,475</b>	<b>\$ 65,873,064</b>
<b>LIABILITIES:</b>					
Accounts payable	\$ 2,644,163	948,886	-	\$ 580,380	\$ 4,173,429
Accrued expenses	426,735	626	-	167,293	594,654
Retainage payable	-	6,000	-	-	6,000
Other liabilities	56,051	-	-	-	56,051
Compensated absences	2,173,123	-	-	237,127	2,410,250
Bond anticipation notes	-	3,126,462	-	-	3,126,462
Due to other funds	1,337,698	5,421,631	39,386	23,672	6,822,387
Due to other governments	16,608,284	216,428	-	25,059	16,849,771
Unearned revenue	577,128	1,220	-	391	578,739
<b>Total liabilities</b>	<b>23,823,182</b>	<b>9,721,253</b>	<b>39,386</b>	<b>1,033,922</b>	<b>34,617,743</b>
<b>DEFERRED INFLOWS:</b>					
Unearned taxes	6,521,721	-	-	-	6,521,721
<b>FUND BALANCE:</b>					
Nonspendable	1,557,581	-	-	352,677	1,910,258
Restricted	1,701,512	-	77,946	-	1,779,458
Assigned	3,378,439	333,046	170,000	3,119,876	7,001,361
Unassigned	14,042,523	-	-	-	14,042,523
<b>Total fund balance</b>	<b>20,680,055</b>	<b>333,046</b>	<b>247,946</b>	<b>3,472,553</b>	<b>24,733,600</b>
<b>Total liabilities, deferred inflows and fund balance</b>	<b>\$ 51,024,958</b>	<b>\$ 10,054,299</b>	<b>\$ 287,332</b>	<b>\$ 4,506,475</b>	<b>\$ 65,873,064</b>

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, 2012

	<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	\$ 30,277,760	\$ -	\$ -	\$ 7,681,717	\$ 37,959,477
Real property tax items	2,251,233	-	-	-	2,251,233
Sales and use taxes	52,925,718	-	-	-	52,925,718
Departmental income	12,917,607	-	-	533,235	13,450,842
Intergovernmental charges	1,189,028	98,382	-	55,072	1,342,482
Use of money and property	776,979	37	2,950	16,054	796,020
Licenses and permits	405,784	-	-	-	405,784
Fines and forfeitures	407,578	-	-	-	407,578
Sale of property and compensation for loss	490,328	32,629	-	181,444	704,401
Miscellaneous local sources	579,183	482,512	980,273	28,832	2,070,800
Interfund revenues	-	-	-	1,511,000	1,511,000
State aid	12,402,960	2,221,446	-	1,383,950	16,008,356
Federal aid	10,812,520	3,939,719	-	1,303,207	16,055,446
Total revenue	<u>125,436,678</u>	<u>6,774,725</u>	<u>983,223</u>	<u>12,694,511</u>	<u>145,889,137</u>
EXPENDITURES:					
General governmental support	35,055,698	138,780	139,913	132,489	35,466,880
Education	2,139,068	-	-	-	2,139,068
Public safety	23,584,901	378,636	-	501,966	24,465,503
Health	14,293,383	-	-	-	14,293,383
Transportation	983,457	5,148,497	-	10,785,816	16,917,770
Economic assistance and opportunity	38,626,322	-	-	847,082	39,473,404
Culture and recreation	1,285,632	385,922	-	-	1,671,554
Home and community services	930,065	3,972	-	460,458	1,394,495
Employee benefits	104,424	-	-	75,147	179,571
Debt service - interest	109,343	-	1,441,719	-	1,551,062
Debt service - principal	549,335	-	2,049,000	-	2,598,335
Total expenditures	<u>117,661,628</u>	<u>6,055,807</u>	<u>3,630,632</u>	<u>12,802,958</u>	<u>140,151,025</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>7,775,050</u>	<u>718,918</u>	<u>(2,647,409)</u>	<u>(108,447)</u>	<u>5,738,112</u>
OTHER FINANCING SOURCES (USES):					
Interfund transfers in	1,784,128	569,070	3,571,333	51,526	5,976,057
Interfund transfers (out)	(3,744,804)	(626,441)	-	(1,604,812)	(5,976,057)
BANs redeemed from appropriations	-	410,304	-	-	410,304
Proceeds from refunding of debt	-	-	11,340,000	-	11,340,000
Payments to escrow agent for bond refunding	-	-	(12,177,350)	-	(12,177,350)
Total other financing sources (uses)	<u>(1,960,676)</u>	<u>352,933</u>	<u>2,733,983</u>	<u>(1,553,286)</u>	<u>(427,046)</u>
REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	5,814,374	1,071,851	86,574	(1,661,733)	5,311,066
FUND BALANCE - beginning of year , as originally stated	<u>14,865,681</u>	<u>(146,599)</u>	<u>161,372</u>	<u>4,542,080</u>	<u>19,422,534</u>
Prior period adjustment	-	(592,206)	-	592,206	-
FUND BALANCE - beginning of year , as restated	<u>14,865,681</u>	<u>(738,805)</u>	<u>161,372</u>	<u>5,134,286</u>	<u>19,422,534</u>
FUND BALANCE - end of year	<u>\$ 20,680,055</u>	<u>\$ 333,046</u>	<u>\$ 247,946</u>	<u>\$ 3,472,553</u>	<u>\$ 24,733,600</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, 2012**

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Fund balance - All governmental funds	\$ 24,733,600
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.	112,228,961
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.	(40,240,315)
Other postemployment benefits liability.	(42,714,347)
Internal service funds used by management to charge the cost of certain activities is not included in governmental funds in the fund financial statements.	2,087,930
Unearned taxes are recognized as revenue under the accrual basis of accounting.	6,521,721
Interest payable at December 31, 2012, in the government-wide statements under full accrual accounting.	<u>(248,834)</u>
Net position of governmental activities	<u>\$ 62,368,716</u>

The accompanying notes are an integral part of these statements.

## COUNTY OF WARREN, NEW YORK

### RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE STATEMENTS OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2012

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Net changes in fund balance - Total governmental funds	\$ 5,311,066
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net position	6,577,017
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities	(5,239,168)
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	2,598,335
Bond anticipation notes redeemed from appropriations are not recognized as revenue in the statement of activities	(410,304)
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	199,359
Revenues and expenditures of the internal service funds are included in the governmental funds in the statement of activities	832,733
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	(5,689,931)
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>131,770</u>
Change in net position - Governmental activities	<u>\$ 4,310,877</u>

The accompanying notes are an integral part of these statements.

COUNTY OF WARREN, NEW YORK

STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
DECEMBER 31, 2012

	Enterprise	Internal Service Funds	
	Fund	Workers'	Self
	Westmount	Compensation	Insurance
	Health Facility		
<b>ASSETS:</b>			
Current assets:			
Cash	\$ 482,064	\$ -	\$ -
Restricted cash	11,687	2,939,187	96,273
Assets limited as to use	13,225	-	-
Patient accounts receivable, net	662,555	-	-
Due from third party payers	1,661,974	-	-
Inventories	44,959	-	-
Prepaid expenses	145,918	3,989	-
Due from other funds	-	-	40,821
Due from County	11,467	-	-
Total current assets	<u>3,033,849</u>	<u>2,943,176</u>	<u>137,094</u>
Long-term assets:			
Due from County	85,358	-	-
Capital assets, net	<u>3,249,886</u>	-	-
Total long-term assets	<u>3,335,244</u>	-	-
Total assets	<u>\$ 6,369,093</u>	<u>\$ 2,943,176</u>	<u>\$ 137,094</u>
<b>LIABILITIES:</b>			
Current liabilities:			
Current portion of capital lease payable	\$ 321,390	\$ -	\$ -
Accounts payable	177,693	929,129	-
Accrued payroll and related benefits	155,081	5,610	40,821
Vacation leave and related benefits	215,212	9,559	-
Due to County	786,975	-	-
Due to other funds	-	1,702	-
Due to third party payers	20,012	-	-
Due to other governments	-	150	-
Patient funds	11,687	-	-
Other current liabilities	1,596	5,369	-
Total current liabilities	<u>1,689,646</u>	<u>951,519</u>	<u>40,821</u>
Long-term liabilities:			
Long-term portion of capital lease payable	1,273,325	-	-
Postemployment health benefits	4,547,033	-	-
Sick leave and related benefits	<u>246,303</u>	-	-
Total long-term liabilities	<u>6,066,661</u>	-	-
Total liabilities	<u>7,756,307</u>	<u>951,519</u>	<u>40,821</u>
<b>NET POSITION:</b>			
Net Investment in capital assets	1,655,171	-	-
Restricted	13,225	1,991,657	-
Unrestricted	<u>(3,055,610)</u>	-	<u>96,273</u>
Total net position	<u>(1,387,214)</u>	<u>1,991,657</u>	<u>96,273</u>
	<u>\$ 6,369,093</u>	<u>\$ 2,943,176</u>	<u>\$ 137,094</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, 2012**

	Enterprise Fund	Internal Service Funds	
	<u>Westmount Health Facility</u>	<u>Workers' Compensation</u>	<u>Self Insurance</u>
Operating revenue:			
Charges for services, net	\$ 6,215,483	\$ 886,719	\$ 169,576
Other operating revenue	<u>9,111</u>	<u>-</u>	<u>-</u>
Total operating revenue	<u>6,224,594</u>	<u>886,719</u>	<u>169,576</u>
Operating expenses:			
Nursing services	3,301,115	-	-
Ancillary services	430,199	-	-
Dietary services	673,244	-	-
Housekeeping	224,734	-	-
Laundry service	88,540	-	-
Maintenance	396,507	-	-
Administrative and fiscal services	592,689	-	-
Employee benefits	2,456,344	-	-
New York State tax assessment	328,337	-	-
Contractual expenses	-	1,731,634	169,576
Depreciation	360,155	-	-
Provision for bad debts	<u>59,852</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>8,911,716</u>	<u>1,731,634</u>	<u>169,576</u>
Loss from operations	<u>(2,687,122)</u>	<u>(844,915)</u>	<u>-</u>
Non-operating revenue (expense):			
Indirect costs and operating transfers from County	234,481	-	-
Intergovernmental transfers	1,411,614	-	-
Interest income	1,609	12,037	145
Interest expense	(71,774)	-	-
Grant revenue	458,485	-	-
Other	<u>2,019</u>	<u>-</u>	<u>-</u>
Total non-operating revenue	<u>2,036,434</u>	<u>12,037</u>	<u>145</u>
Change in net position	(650,688)	(832,878)	145
Net position - beginning of year	<u>(736,526)</u>	<u>2,824,535</u>	<u>96,128</u>
Net position - end of year	<u>\$ (1,387,214)</u>	<u>\$ 1,991,657</u>	<u>\$ 96,273</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, 2012

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CASH FLOW FROM OPERATING ACTIVITIES:	
Cash received from patient services	\$ 4,286,257
Cash payments to suppliers for goods and services	(1,934,823)
Cash payments to employees for services	(5,516,714)
Other operating revenue	<u>9,111</u>
Net cash flow from operating activities:	<u>(3,156,169)</u>
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfer from County	-
Intergovernmental transfers	1,411,614
Other	<u>2,019</u>
Net cash flow from noncapital financing activities	<u>1,413,633</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal payments on capital lease	(307,734)
Payments of interest	(71,774)
Grant revenue	458,485
Capital expenditures	<u>(536,225)</u>
Net cash flow from capital and related financing activities	<u>(457,248)</u>
CASH FLOW FROM INVESTING ACTIVITIES:	
Interest income	1,609
Net change in assets whose use is limited	<u>14,337</u>
Net cash flow from investing activities	<u>15,946</u>
CHANGE IN CASH	(2,183,838)
CASH - beginning of year	<u>2,666,371</u>
CASH - end of year	<u>\$ 482,533</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH (USED IN) OPERATING ACTIVITIES:	
Loss from operations	\$ (2,687,122)
Adjustments to reconcile loss from operations to net cash flow (used in) from operating activities:	
Depreciation	360,155
Provisions for bad debts	59,852
Indirect services and operating transfers from County	234,481
Change in:	
Accounts receivable	(247,986)
Inventories	1,911
Prepaid expenses	(145,918)
Accounts payable	99,349
Due to/from third party payers	(1,681,240)
Accrued items	(1,147)
Due to/from County	354,456
Postemployment health benefits	495,444
Deferred revenue	<u>1,596</u>
Net cash flow from operating activities	<u>\$ (3,156,169)</u>

The accompanying notes are an integral part of these statements.

**COUNTY OF WARREN, NEW YORK**

**STATEMENT OF NET POSITION - FIDUCIARY FUNDS  
DECEMBER 31, 2012**

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<b>ASSETS:</b>	Private Purpose Trust	Agency
Cash	\$ 3,797	\$ 4,498,376
Due from other funds	-	749,730
Other assets	-	4,093
Total assets	<b>\$ 3,797</b>	<b>\$ 5,252,199</b>
 <b>LIABILITIES:</b>		
Due to other funds	-	523,748
Due to other governments	-	74,516
Agency liabilities	-	4,653,935
Total liabilities	-	<b>\$ 5,252,199</b>
 <b>NET POSITION</b>	 <b>\$ 3,797</b>	

**COUNTY OF WARREN, NEW YORK**

**STATEMENT OF CHANGE IN NET POSITION - FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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	Private Purpose Trust
<b>ADDITIONS:</b>	
Investment earnings	\$ 6
Gifts and donations	10
	16
 <b>DEDUCTIONS:</b>	
Economic Assistance and Opportunity	-
NET DECREASE	16
NET POSITION - beginning of year	3,781
NET POSITION - end of year	<b>\$ 3,797</b>

The accompanying notes are an integral part of these statements.

**COUNTY OF WARREN, NEW YORK**

**STATEMENT OF NET POSITION - COMPONENT UNITS  
DECEMBER 31, 2012**

	Soil and Water Conservation <u>District</u>	Local Development <u>Corp.</u>	Warren <u>TASC</u>	<u>Total</u>
<b>ASSETS:</b>				
Cash	\$ 21,043	\$ 789,633	\$ -	\$ 810,676
Cash - restricted	-	-	34,097	34,097
Investments - restricted	-	-	437,288	437,288
Loans receivable, current portion, net of allowance for doubtful accounts of \$162,000	-	48,959	-	48,959
Accounts receivable	-	-	<u>875,000</u>	<u>875,000</u>
 Total current assets	 21,043	 838,592	 1,346,385	 2,206,020
Loans receivable, less current portion	<u>-</u>	<u>767,846</u>	<u>-</u>	<u>767,846</u>
 Total assets	 <u>21,043</u>	 <u>1,606,438</u>	 <u>1,346,385</u>	 <u>2,973,866</u>
<b>LIABILITIES:</b>				
Bonds payable, current portion	-	-	370,000	370,000
Accrued expenses	-	-	19,767	19,767
Due to other governments	<u>106</u>	<u>-</u>	<u>-</u>	<u>106</u>
 Total current liabilities	 <u>106</u>	 <u>-</u>	 <u>389,767</u>	 <u>389,873</u>
Bonds payable, long-term portion	<u>-</u>	<u>-</u>	<u>6,426,739</u>	<u>6,426,739</u>
 Total liabilities	 <u>106</u>	 <u>-</u>	 <u>6,816,506</u>	 <u>6,816,612</u>
<b>NET POSITION</b>				
Restricted	12,170	-	471,385	483,555
Unrestricted	<u>8,767</u>	<u>1,606,438</u>	<u>(5,941,506)</u>	<u>(4,326,301)</u>
 Total net position	 <u>\$ 20,937</u>	 <u>\$ 1,606,438</u>	 <u>\$ (5,470,121)</u>	 <u>\$ (3,842,746)</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, 2012**

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	Soil and Water Conservation <u>District</u>	Local Development <u>Corp.</u>	Warren <u>TASC</u>	<u>Total</u>
Revenue:				
Departmental income	\$ 38,326	\$ -	\$ -	\$ 38,326
Use of money and property	240	33,967	28,694	62,901
Sale of property and compensation for loss	-	-	968,021	968,021
Miscellaneous local sources	270,108	59,748	-	329,856
State aid	<u>180,557</u>	<u>-</u>	<u>-</u>	<u>180,557</u>
Total revenue	<u>489,231</u>	<u>93,715</u>	<u>996,715</u>	<u>1,579,661</u>
Expenditures:				
General governmental support	623,883	118,033	454,279	1,196,195
Debt service - interest	<u>-</u>	<u>-</u>	<u>314,294</u>	<u>314,294</u>
Total expenditures	<u>623,883</u>	<u>118,033</u>	<u>768,573</u>	<u>1,510,489</u>
Excess of revenue over expenditures	(134,652)	(24,318)	228,142	69,172
NET POSITION - beginning of year	<u>155,589</u>	<u>1,630,756</u>	<u>(5,698,263)</u>	<u>(3,911,918)</u>
NET POSITION - end of year	<u>\$ 20,937</u>	<u>\$ 1,606,438</u>	<u>\$ (5,470,121)</u>	<u>\$ (3,842,746)</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, 2012

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#### 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 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.

## 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.
- Refuse and Garbage Fund - Established to account for revenue and expenditures associated with recycling and waste management programs.
- Sewer Fund - Established to account for revenue and expenditures related to operation of an industrial park sewer district.

#### 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 reservations 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

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 2012 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 \$47,261,380 as of December 31, 2012.

### Property Taxes

County property taxes are levied annually no later than December 31<sup>st</sup> and become a lien on January 1. Accordingly, property tax is recognized as revenue in the year for which the levy is made, and to the extent that such taxes are received within the reporting period of 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

Non-property tax items consist of sales and use taxes as well as 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, 2012, the County adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The primary impact on the County's financial statements for the year then ended was to change the terminology previously used of "net assets" to "net position" throughout the financial statements and related footnotes.

During the December 31, 2012, the County adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. There was no immediate impact on the County's financial statements for this adoption.

## 2. CASH

As of December 31, 2012, 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 and cash equivalents, including trust funds	<u>\$ 28,402,606</u>	<u>\$ 23,613,691</u>
Collateralized with securities held by the pledging financial institution's trust department or agent in the County's name	\$ 32,728,278	
Covered by FDIC insurance	<u>1,004,747</u>	
Total	<u>\$ 33,733,025</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 consisted of the following:

<u>Fund</u>	<u>Restricted Balance</u>	<u>Restriction</u>
General	<u>\$ 3,591,865</u>	Reserve for capital project acquisitions, construction, and reconstruction.
Internal Service Funds	<u>\$ 96,273</u>	Unemployment insurance
	<u>2,939,187</u>	Workers' compensation insurance
Total Internal Service Funds	<u>\$ 3,035,460</u>	
Capital Projects	<u>\$ 1,401,090</u>	Reserve for capital project acquisitions, construction, and reconstruction.
Enterprise	<u>\$ 11,687</u>	Patient funds
Debt Service	<u>\$ 285,905</u>	Reserve for debt service
Total Restricted Cash	<u>\$ 8,326,007</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, \$10,081,217, 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, \$6,521,721 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, 2012.

Expected repayment on the loans receivable is as follows:

For the Year Ending December 31,

2013	\$	210,959
2014		181,106
2015		174,034
2016		82,466
2017		29,445
Thereafter		300,795
Less: allowance		<u>(162,000)</u>
Total	\$	<u>816,805</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>\$ 11,292,530</u>	Claims for reimbursement of expenditures in administering various health and social service programs net of related advances.
Special revenue	<u>\$ 1,409,087</u>	Claims for reimbursement of expenditures for job training programs and highway improvements.
Capital projects	<u>\$ 6,424,286</u>	Claims for reimbursement of expenditures for various capital projects.
Total State and Federal Receivable	<u>\$ 19,125,903</u>	



## 7. CAPITAL ASSETS, NET

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

	Balance at January 1, <u>2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance at December 31, <u>2012</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 4,940,874	\$ -	\$ -	\$ 4,940,874
Construction in progress	<u>28,920,938</u>	<u>4,576,173</u>	<u>5,023,070</u>	<u>28,474,041</u>
Total nondepreciable assets	<u>33,861,812</u>	<u>4,576,173</u>	<u>5,023,070</u>	<u>33,414,915</u>
Capital assets that are depreciated:				
Land improvements	362,210	-	-	362,210
Buildings and improvements	62,273,995	-	-	62,273,995
Vehicles and equipment	17,541,842	1,710,184	1,070,074	18,181,952
Infrastructure	<u>50,376,642</u>	<u>5,313,730</u>	-	<u>55,690,372</u>
Total depreciated assets	<u>130,554,689</u>	<u>7,023,914</u>	<u>1,070,074</u>	<u>136,508,529</u>
Less: Accumulated depreciation				
Land improvements	351,652	10,558	-	362,210
Buildings and improvements	15,540,760	1,378,295	-	16,919,055
Vehicles and equipment	12,303,270	1,231,881	1,203,317	12,331,834
Infrastructure	<u>25,329,707</u>	<u>2,751,677</u>	-	<u>28,081,384</u>
Total accumulated depreciation	<u>53,525,389</u>	<u>5,372,411</u>	<u>1,203,317</u>	<u>57,694,483</u>
Total capital assets, net	<u>\$ 110,891,112</u>	<u>\$ 6,227,676</u>	<u>\$ 4,889,827</u>	<u>\$ 112,228,961</u>
Business-type Activities:				
Capital assets that are not depreciated:				
Land	\$ 25,100	\$ -	\$ -	\$ 25,100
Construction in progress	<u>4,800</u>	-	<u>4,800</u>	<u>-</u>
Total nondepreciable assets	<u>29,900</u>	<u>-</u>	<u>4,800</u>	<u>25,100</u>
Capital assets that are depreciated:				
Land improvements	224,730	-	-	224,730
Buildings and improvements	2,984,063	463,285	-	3,447,348
Vehicles and equipment	<u>4,949,913</u>	<u>66,525</u>	-	<u>5,016,438</u>
Total depreciated assets	<u>8,158,706</u>	<u>529,810</u>	<u>-</u>	<u>8,688,516</u>
Less: Accumulated depreciation				
	<u>5,114,791</u>	<u>348,939</u>	<u>-</u>	<u>5,463,730</u>
Total capital assets, net	<u>\$ 3,073,815</u>	<u>\$ 180,871</u>	<u>\$ 4,800</u>	<u>\$ 3,249,886</u>

**7. CAPITAL ASSETS (Continued)**

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

General government support	\$	256,756
Public safety		866,492
Health		38,788
Transportation		3,526,637
Economic Assistance and Opportunity		482,529
Culture and recreation		16,868
Home and community		<u>51,098</u>
Total depreciation expense	\$	<u>5,239,168</u>

**8. UNEARNED REVENUE**

Unearned revenue consists of the following at December 31, 2012:

General fund:		
Miscellaneous grant revenue	\$	88,198
Mental health programs		<u>488,930</u>
Total	\$	<u>577,128</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; e.g. the general or special revenue funds.

State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for 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, 2012:

Sheriff Vehicle and Bridge Rehab dated April 6, 2012 due April 5, 2013 with interest at 1.95%	\$ 264,667
Abatement and demolition of Annex Building dated April 26, 2012 due April 26, 2013 with interest at 1.95%	346,288
Abatement and demolition of Annex Building dated October 5, 2012 due October 4, 2013 with interest at 1.49%	87,622
Purchase of Gaslight Village Property dated February 28, 2012, due February 28, 2013 with interest at 1.95%.	133,334
Various DPW constructions dated October 3, 2012 due October 3, 2013 with interest at .89%	<u>2,294,551</u>
Total BANs outstanding at County of Warren as of December 31, 2012.	<u>\$3,126,462</u>

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

<u>Governmental activity short-term financing</u>	Balance at January 1, <u>2012</u>	<u>Increase</u>	<u>Decrease</u>	Balance at December 31, <u>2012</u>
Bond anticipation notes:				
DPW Construction BAN	\$ 3,000,000	\$ -	\$ 3,000,000	\$ -
Abatement & Demolition BAN	116,830	-	29,208	87,622
Abatement & Demolition BAN	461,718	-	115,430	346,288
Gaslight Village BAN	266,667	-	133,333	133,334
Sheriff Vehicle/Bridge Rehab	397,000	-	132,333	264,667
DPW Construction BAN	-	2,294,551	-	2,294,551
Total bond anticipation notes	<u>\$ 4,242,215</u>	<u>\$ 2,294,551</u>	<u>\$ 3,410,304</u>	<u>\$ 3,126,462</u>

## 10. LONG-TERM DEBT

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

	Balance at January 1, 2012	Increase	Decrease	Balance at December 31, 2012
Governmental activities:				
Serial bonds	\$ 35,256,000	\$ 11,340,000	\$ 13,549,000	\$ 33,047,000
Capital lease obligations	2,378,844	-	139,031	2,239,813
Compensated absences	3,950,638	237,231	-	4,187,869
Self-insurance claims payable	<u>2,751,842</u>	<u>-</u>	<u>1,986,209</u>	<u>765,633</u>
Total governmental long-term debt	<u>\$ 44,337,324</u>	<u>\$ 11,577,231</u>	<u>\$ 15,674,240</u>	<u>\$ 40,240,315</u>
Business-type Activities:				
Capital lease obligations	<u>\$ 1,902,449</u>	<u>\$ -</u>	<u>\$ 307,734</u>	<u>\$ 1,594,715</u>
Component unit (WTASC):				
Serial bonds and accreted interest	<u>\$ 6,857,692</u>	<u>* \$ 74,047</u>	<u>\$ 135,000</u>	<u>\$ 6,796,739</u>

\* Increase in accreted interest on capital appreciation bonds

Interest on all debt for the year was composed of:

Interest paid	\$ 1,551,062
Add: Current year accrued interest	248,834
Less: Prior year accrued interest	<u>(380,604)</u>
Total expense	<u>\$ 1,419,292</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 12/31/12</u>
Governmental activities:					
Public Improvement Serial Bonds 2003	07/15/03	\$ 23,000,000	4.00%	2013	\$ 1,150,000
Public Improvement Serial Bonds 2009	12/30/2009	21,480,000	2.61%	2034	19,905,000
Airport Hanger Serial Bond 2010	4/12/2010	800,000	3.75%	2015	480,000
ACC Computer Software Serial Bonds 2010	7/14/2010	468,000	3.04%	2015	282,000
Public Improvement Refunding Serial Bonds 2012	5/16/2012	<u>11,340,000</u>	2.0-5.0%	2023	<u>11,230,000</u>
		<u>\$ 57,088,000</u>			<u>\$ 33,047,000</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 12/31/12</u>
Governmental activities:					
Public Improvement Serial Bonds 2003	07/15/03	\$ 23,000,000	4.00%	2013	\$ 1,150,000
Public Improvement Serial Bonds 2009	12/30/2009	21,480,000	2.61%	2034	19,905,000
Airport Hanger Serial Bond 2010	4/12/2010	800,000	3.75%	2015	480,000
ACC Computer Software Serial Bonds 2010	7/14/2010	468,000	3.04%	2015	282,000
Public Improvement Refunding Serial Bonds 2012	5/16/2012	11,340,000	2.0-5.0%	2023	11,230,000
		<u>\$ 57,088,000</u>			<u>\$ 33,047,000</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2013	\$ 1,979,000	\$ 1,351,274	\$ 3,330,274
2014	2,004,000	1,278,811	3,282,811
2015	2,014,000	1,211,127	3,225,127
2016	1,780,000	1,135,515	2,915,515
2017	1,780,000	1,086,938	2,866,938
2018-2022	9,125,000	4,534,191	13,659,191
2023-2027	5,760,000	2,645,634	8,405,634
2028-2032	5,865,000	1,368,332	7,233,332
2033-2034	<u>2,740,000</u>	<u>174,230</u>	<u>2,914,230</u>
Total	<u>\$ 33,047,000</u>	<u>\$ 14,786,052</u>	<u>\$ 47,833,052</u>

### Advance Refunding of Bonds

On May 16, 2012, the County issued \$11,340,000 in General Obligation Bonds with an average interest rate of 2.4% to advance refund \$11,500,000 of outstanding 2003 Series bonds with an average interest rate of 4.1%. The net proceeds of \$12,177,350 (after payment of \$139,913 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the 2003 Series bonds. \$2,300,000 of the 2003 Series bonds was not refunded and will be fully paid by July 15, 2013. As a result, the refunded portion of the 2003 Series bonds are considered removed from the general long-term debt account group.

The County advance refunded the portion of the 2003 Series bonds to reduce its total debt service payments over the next 12 years by \$724,781 and to obtain an economic gain (difference between the present values of the debt service payments on the old and the new debt) of \$643,432.

## 10. LONG-TERM DEBT (Continued)

### Bonds Payable (Continued)

WTASC required future bond debt service requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2013	\$ 200,000	\$ 222,266	\$ 422,266
2014	210,000	210,675	420,675
2015	225,000	198,306	423,306
2016	230,000	185,294	415,294
2017	245,000	171,822	416,822
2018-2022	1,715,000	592,897	2,307,897
2023-2027	1,340,000	97,175	1,437,175
2038	529,092	3,085,908	3,615,000
2050	466,102	6,293,898	6,760,000
2055	291,453	7,888,547	8,180,000
2060	<u>390,960</u>	<u>17,609,040</u>	<u>18,000,000</u>
 Total	 <u>\$ 5,842,607</u>	 <u>\$ 36,555,828</u>	 <u>\$ 42,398,435</u>

Capital leases are comprised of the following at December 31, 2012:

<u>Description</u>	<u>Date Issued</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Balance at 12/31/12</u>
<u>Governmental Activities:</u>					
Countryside capital improv.	10/27/2006	\$ 327,339	2.85%	1/1/2022	\$ 234,500
Mun. Center capital improv.	7/20/2007	<u>2,496,750</u>	3.70%	12/1/2022	<u>2,005,313</u>
		2,824,089			2,239,813
<u>Business Type Activities:</u>					
Co-generation plant	5/20/2005	<u>3,626,548</u>	4.35%	4/20/2018	<u>1,594,715</u>
Total capital leases		<u>\$ 6,450,637</u>			<u>\$ 3,834,528</u>

## 10. LONG-TERM DEBT (Continued)

### Capital Leases

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2013	\$ 233,666	\$ 384,403
2014	241,966	384,403
2015	251,966	384,403
2016	259,966	384,403
2017	269,266	224,234
2018-2022	<u>1,480,478</u>	<u>-</u>
Total minimum lease payments	2,737,308	1,761,846
Less: Amounts representing interest costs	<u>497,495</u>	<u>167,131</u>
Present value of minimum lease payments	<u>\$ 2,239,813</u>	<u>\$ 1,594,715</u>

## 11. FUND BALANCE

The detail of the 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>
<b>Non-spendable:</b>					
Prepaid expenditures	\$ 1,494,019	\$ -	\$ -	\$ 97,565	\$ 1,591,584
Inventory	<u>63,562</u>	<u>-</u>	<u>-</u>	<u>255,112</u>	<u>318,674</u>
	<u>1,557,581</u>	<u>-</u>	<u>-</u>	<u>352,677</u>	<u>1,910,258</u>
<b>Restricted:</b>					
Debt service			77,946		77,946
Capital	630,466				630,466
Occupancy tax	606,119				606,119
Probation	3,027				3,027
Forfeit crime	292,212				292,212
Environmental Testing	67,115				67,115
Stop DWI	<u>102,573</u>				<u>102,573</u>
	<u>1,701,512</u>		<u>77,946</u>		<u>1,779,458</u>
<b>Assigned:</b>					
Encumbrances	188,086				188,086
Capital projects		333,046			333,046
Operations of special revenue funds				2,803,876	2,803,876
Appropriated for ensuing year	<u>3,190,353</u>		<u>170,000</u>	<u>316,000</u>	<u>3,676,353</u>
	<u>3,378,439</u>	<u>333,046</u>	<u>170,000</u>	<u>3,119,876</u>	<u>7,001,361</u>
<b>Unassigned:</b>	<u>14,042,523</u>				<u>14,042,523</u>
Total Fund Balance	<u>\$ 20,680,055</u>	<u>\$ 333,046</u>	<u>\$ 247,946</u>	<u>\$ 3,472,553</u>	<u>\$ 24,733,600</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 shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information.

That report may be obtained by writing to the New York State and Local Retirement Systems, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

### Funding Policy

The Systems are 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. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31.

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>
2012	<u>\$6,776,093</u>
2011	<u>\$5,473,261</u>
2010	<u>\$3,843,808</u>

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.



**13. OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)**

Plan Description (Continued)

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, 2012, was 483. 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 2012 by the County was \$2,879,821.

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	\$ 10,518,404
Interest on net OPEB obligation	1,633,300
Adjustment to ARC	<u>(2,361,347)</u>
Annual OPEB cost (expense)	9,790,357
Contributions made	<u>(3,361,470)</u>
Increase in net OPEB obligation	6,428,887
Net OPEB obligation - beginning of year	<u>40,832,493</u>
Net OPEB obligation - end of year	<u>\$ 47,261,380</u>

### 13. OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

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>
2012	\$ 9,790,357	\$ 3,361,470	34.3%	\$ 47,261,380
2011	\$ 10,209,689	\$ 2,879,821	28.2%	\$ 40,832,493
2010	\$ 9,803,298	\$ 2,538,938	25.9%	\$ 33,502,625
2009	\$ 15,830,553	\$ 2,088,525	13.2%	\$ 26,238,265

#### Funded Status and Funding Progress

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

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

#### Schedule of Funding Progress for the County's Plan

<u>Actuarial 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>
1/1/2012	\$ -	\$ 101,469,768	\$ 101,469,768	0.00%	\$ 36,083,888	281.21%
1/1/2011	-	111,776,147	111,776,147	0.00%	36,387,907	307.18%
1/1/2010	-	101,408,844	101,408,844	0.00%	36,046,238	281.33%
1/1/2009	-	149,893,082	149,893,082	0.00%	36,796,657	407.36%

#### Actuarial Methods and Assumptions

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

### 13. OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

#### Actuarial Methods and Assumptions (Continued)

In the January 2013 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	7.5% or 8.5% initially, based on age of retirees. The rate is reduced by decrements to an ultimate rate of 5.0% after seven years, depending on age of retirees.
Unfunded actuarial accrued liability:	
Amortization period	30 years
Amortization 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, 2012 was \$1,781,326.

#### 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, 2012 was \$7,000.

#### Lake Champlain-Lake George Regional Development Corporation

The operation of the Lake Champlain-Lake George Regional Development Corporation is undertaken jointly with the Counties of Essex, Clinton, Hamilton, and Washington under Section 402 and 1411 of the Not-for-Profit Corporation Law of New York State and is excluded from the County's financial statements. Separate financial statements are issued for the corporation. The County's share of the operating costs for the year ended December 31, 2012 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, 2012 was \$0.

## 15. OPERATING TRANSFERS AND INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances arising from these transactions as of December 31, 2012, were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General fund	\$ 6,355,272	\$ 1,337,698
Special revenue funds	397,240	23,672
Capital projects fund	590,143	5,421,631
Debt service fund	1,427	39,386
Enterprise fund	179	786,975
Internal service funds	40,821	1,702
Fiduciary funds	<u>749,730</u>	<u>523,748</u>
Total	<u>\$ 8,134,812</u>	<u>\$ 8,134,812</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.

Interfund transfers throughout the year ended, were as follows:

	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
General Fund	\$ 1,784,128	\$ 3,744,804
Special Revenue funds	11,444	-
Refuse and Garbage	40,082	1,333,593
County Road	-	94,833
Road Machinery	-	176,386
Capital projects fund	569,070	626,441
Debt Service	<u>3,571,333</u>	<u>-</u>
Total	<u>\$ 5,976,057</u>	<u>\$ 5,976,057</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, 2012, 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.

Liabilities are recorded when it is probable that a loss has been incurred and the amount of loss can be reasonably estimated. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using expected future investment yield assumptions of 3%. These liabilities are recorded at their present value of \$765,633 in the general long-term debt account group and \$ in the internal service fund, which represents the portion to be liquidated with expendable and available financial resources as of December 31, 2012. Benefits and awards expenditures for the year ended December 31, 2012, were \$1,144,756.

### 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.

### 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 19% and 49%, respectively, of the Westmount Health Facility's net patient service revenue for the year ended December 31, 2012. 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 2012 net patient service revenue increased approximately \$198,516, as a result of the final settlements in excess of amounts previously estimated.

## 16. COMMITMENTS AND CONTINGENCIES (Continued)

### Public Health Reimbursement

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

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

### EPA Grant

In April 1995, the County received notification of grant approval in the amount of \$20 million from the United States Environmental Protection Agency. The grant funds are to be used to upgrade sanitary sewer systems in the Lake George Basin area. The grant agreement requires the County to contribute \$1.3 million to the project, or 5% of project costs. The State agreed to contribute \$2.5 million to the project. Total County expenditures for the project through 2012 totaled \$23,484,211.

### 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, 2012, 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. PRIOR PERIOD ADJUSTMENT

The County recorded a prior period adjustment of \$592,206 to correct for an error in posting certain revenue during 2011. The reimbursement received in 2011 was posted to the capital projects fund when it should have been posted to the county road fund. Accordingly, an adjustment was made decreasing capital projects fund beginning fund balance by \$592,206 and increasing county road beginning fund balance by a like amount.

## 18. ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET IMPLEMENTED

In March 2012, the GASB issued Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*. This Statement improves accounting and financial reporting by clarifying guidance regarding risk financing, operating lease payments, and accounting for loans. The County is required to adopt the provisions of Statement No. 66 for the year ending December 31, 2013.

In June 2012, the GASB issued Statements No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, and No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The objective of Statement No. 67 is to improve financial reporting by state and local governmental pension plans.

## **18. ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET IMPLEMENTED (Continued)**

Statement No. 67 replaces the requirements of Statements No. 25 and No. 50 as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria.

Statement No. 68 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 Statement No. 68, 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 these Statements for the year ending December 31, 2014, with early adoption encouraged.

In January 2013, the GASB issued 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. The County is required to adopt the provisions of this Statement for the year ending December 31, 2014. A prospective basis should be applied and early adoption is encouraged.

In April 2013, the GASB issued 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. The County is required to adopt the provisions of this Statement for the year ending December 31, 2014. A prospective basis should be applied and early adoption is encouraged.

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

## **19. SUBSEQUENT EVENTS**

The County is currently in the process of reviewing proposals from three different companies for the purchase of Westmount Health Facility. Terms of the sale are still being negotiated and no agreements have been signed.

The County loaned Westmount Health Facility \$1,250,000 to cover cash shortfall. During March 2013, \$750,000 of this loan was repaid along with interest, and the remaining \$500,000 plus interest is expected to be repaid in February 2014.

**REQUIRED SUPPLEMENTARY INFORMATION**



COUNTY OF WARREN, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2012

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUE:				
Real property taxes	\$ 30,475,397	\$ 30,475,397	\$ 30,277,760	\$ (197,637)
Real property tax items	1,880,000	1,880,000	2,251,233	371,233
Sales and use tax	45,385,000	45,362,045	52,925,718	7,563,673
Departmental income	13,020,138	13,143,836	12,917,607	(226,229)
Intergovernmental charges	1,374,225	1,398,159	1,189,028	(209,131)
Use of money and property	881,951	892,451	776,979	(115,472)
Licenses and permits	160,500	201,362	405,784	204,422
Fines and forfeitures	323,825	334,248	407,578	73,330
Sale of property and compensation for loss	422,500	465,447	490,328	24,881
Miscellaneous local sources	689,104	720,505	579,183	(141,322)
State aid	14,384,327	14,720,321	12,402,960	(2,317,361)
Federal aid	9,376,077	11,074,683	10,812,520	(262,163)
Total revenue	<u>118,373,044</u>	<u>120,668,454</u>	<u>125,436,678</u>	<u>4,768,224</u>
EXPENDITURES:				
General government support	33,291,892	33,073,427	35,055,698	(1,982,271)
Education	2,106,326	2,138,326	2,139,068	(742)
Public safety	22,379,313	24,052,538	23,584,901	467,637
Health	16,880,424	17,348,186	14,293,383	3,054,803
Transportation	832,108	1,074,170	983,457	90,713
Economic assistance and opportunity	39,472,700	40,202,876	38,626,322	1,576,554
Culture and recreation	1,202,771	1,326,430	1,285,632	40,798
Home and community services	929,746	953,889	930,065	23,824
Employee benefits	145,444	142,013	104,424	37,589
Debt service - principal and interest	659,354	659,354	658,678	676
Total expenditures	<u>117,900,078</u>	<u>120,971,209</u>	<u>117,661,628</u>	<u>3,309,581</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>472,966</u>	<u>(302,755)</u>	<u>7,775,050</u>	<u>8,077,805</u>
OTHER SOURCES (USES):				
Interfund transfers in	-	1,464,180	1,784,128	319,948
Interfund transfers (out)	(3,239,639)	(3,743,424)	(3,744,804)	(1,380)
Total other sources (uses)	<u>(3,239,639)</u>	<u>(2,279,244)</u>	<u>(1,960,676)</u>	<u>318,568</u>
EXCESS REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES, ENCUMBRANCES, AND OTHER USES	(2,766,673)	(2,581,999)	5,814,374	8,396,373
FUND EQUITY - beginning of year	<u>14,865,681</u>	<u>14,865,681</u>	<u>14,865,681</u>	<u>-</u>
FUND EQUITY - end of year	<u>\$ 12,099,008</u>	<u>\$ 12,283,682</u>	<u>\$ 20,680,055</u>	<u>\$ 8,396,373</u>

The accompanying notes are an integral part of these statements.

**SUPPLEMENTARY INFORMATION**

**COUNTY OF WARREN, NEW YORK**  
**BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2012**

	<u>Special Grant</u>	<u>Refuse and Garbage</u>	<u>County Road</u>	<u>Road Machinery</u>	<u>Sewer</u>	<u>Total Non-Major Governmental Funds</u>
<b>ASSETS:</b>						
Cash	\$ 50,073	\$ -	\$ 1,119,359	\$ 836,091	18,885	\$ 2,024,408
Accounts receivable	-	-	105,250	3,118	1,324	109,692
State and federal receivables	25,138	-	1,383,949	-	-	1,409,087
Prepaid expenditures	11,383	-	72,887	24,678	-	108,948
Inventory	-	-	101,162	153,950	-	255,112
Due from other governments	-	-	-	201,988	-	201,988
Due from other funds	-	-	389,553	7,687	-	397,240
	<u>-</u>	<u>-</u>	<u>389,553</u>	<u>7,687</u>	<u>-</u>	<u>397,240</u>
<b>TOTAL ASSETS</b>	<u>\$ 86,594</u>	<u>\$ -</u>	<u>\$ 3,172,160</u>	<u>\$ 1,227,512</u>	<u>\$ 20,209</u>	<u>\$ 4,506,475</u>
<b>LIABILITIES:</b>						
Accounts payable	\$ 7,916	\$ -	\$ 284,397	\$ 288,067	-	\$ 580,380
Accrued liabilities	12,413	-	124,825	30,055	-	167,293
Compensated absences	21,106	-	171,247	44,774	-	237,127
Due to other governments	22,888	-	92	2,079	-	25,059
Unearned revenue	391	-	-	-	-	391
Due to other funds	21,880	-	1,792	-	-	23,672
	<u>21,880</u>	<u>-</u>	<u>1,792</u>	<u>-</u>	<u>-</u>	<u>23,672</u>
<b>TOTAL LIABILITIES</b>	<u>86,594</u>	<u>-</u>	<u>582,353</u>	<u>364,975</u>	<u>-</u>	<u>1,033,922</u>
<b>FUND BALANCE:</b>						
Nonspendable	-	-	174,049	178,628	-	352,677
Assigned	-	-	2,415,758	683,909	20,209	3,119,876
	<u>-</u>	<u>-</u>	<u>2,415,758</u>	<u>683,909</u>	<u>20,209</u>	<u>3,119,876</u>
<b>TOTAL FUND BALANCE</b>	<u>-</u>	<u>-</u>	<u>2,589,807</u>	<u>862,537</u>	<u>20,209</u>	<u>3,472,553</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 86,594</u>	<u>\$ -</u>	<u>\$ 3,172,160</u>	<u>\$ 1,227,512</u>	<u>\$ 20,209</u>	<u>\$ 4,506,475</u>

The accompanying notes are an integral part of this statement.

COUNTY OF WARREN, NEW YORK  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

	Special Grant	Refuse and Garbage	County Road	Road Machinery	Sewer	Total
<b>REVENUES:</b>						
Real property taxes	\$ -	\$ -	\$ 7,258,022	\$ 419,314	4,381	\$ 7,681,717
Other departmental income	-	525,360	-	-	7,875	533,235
Intergovernmental charges	-	-	55,072	-	-	55,072
Use of money and property	54	16,000	-	-	-	16,054
Sale of property and compensation for loss	-	-	20,381	161,063	-	181,444
Miscellaneous local sources	-	-	28,182	650	-	28,832
Interfund revenues	-	-	-	1,511,000	-	1,511,000
State aid	-	-	1,383,950	-	-	1,383,950
Federal aid	<u>1,289,265</u>	<u>-</u>	<u>2,329</u>	<u>11,613</u>	<u>-</u>	<u>1,303,207</u>
Total revenues	<u>1,289,319</u>	<u>541,360</u>	<u>8,747,936</u>	<u>2,103,640</u>	<u>12,256</u>	<u>12,694,511</u>
<b>EXPENDITURES:</b>						
General government support	-	-	66,875	65,614	-	132,489
Public safety	-	-	501,966	-	-	501,966
Transportation	-	-	8,602,927	2,182,889	-	10,785,816
Economic assistance and opportunity	847,082	-	-	-	-	847,082
Home and community services	442,237	6,239	-	-	11,982	460,458
Employee benefits	<u>-</u>	<u>-</u>	<u>67,417</u>	<u>7,730</u>	<u>-</u>	<u>75,147</u>
Total expenditures	<u>1,289,319</u>	<u>6,239</u>	<u>9,239,185</u>	<u>2,256,233</u>	<u>11,982</u>	<u>12,802,958</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>535,121</u>	<u>(491,249)</u>	<u>(152,593)</u>	<u>274</u>	<u>(108,447)</u>
<b>OTHER FINANCING SOURCES AND USES</b>						
Interfund transfers in	-	-	11,444	40,082	-	51,526
Interfund transfer (out)	<u>-</u>	<u>(1,333,593)</u>	<u>(94,833)</u>	<u>(176,386)</u>	<u>-</u>	<u>(1,604,812)</u>
	<u>-</u>	<u>(1,333,593)</u>	<u>(83,389)</u>	<u>(136,304)</u>	<u>-</u>	<u>(1,553,286)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-	(798,472)	(574,638)	(288,897)	274	(1,661,733)
FUND BALANCE - beginning of year, as originally stated	-	798,472	2,572,239	1,151,434	19,935	4,542,080
Prior period adjustment	<u>-</u>	<u>-</u>	<u>592,206</u>	<u>-</u>	<u>-</u>	<u>592,206</u>
FUND BALANCE - beginning of year, as restated	<u>-</u>	<u>798,472</u>	<u>3,164,445</u>	<u>1,151,434</u>	<u>19,935</u>	<u>5,134,286</u>
FUND BALANCE - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,589,807</u>	<u>\$ 862,537</u>	<u>\$ 20,209</u>	<u>\$ 3,472,553</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 18, 2013

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, 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, 2012, 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 18, 2013. 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 BASIC 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. 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**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.

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

September 18, 2013

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 compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect each of the County's major federal programs for the year ended December 31, 2012. 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 of Warren, New York complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material on each of its major federal programs for the year ended December 31, 2012.

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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.

COUNTY OF WARREN, NEW YORK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA 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	\$ 1,359,248
Passed through New York State Office of Temporary and Disability Assistance/ State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	<u>571,316</u>
Total U.S. Department of Agriculture		<u>1,930,564</u>
U.S. Department of Housing and Urban Development/ Community Development Block Grant - State's Program	14.228	435,614
HOME Investment Partnerships Program	14.239	<u>6,623</u>
Total U.S. Department of Housing and Urban Development		<u>442,237</u>
U.S. Department of Justice/ State Criminal Alien Assistance Program	16.606	1,543
Edward Byrne Memorial Justice Assistance Grant Program	16.738	11,909
Passed through New York State Division of Criminal Justice Services/ Law Enforcement Assistance - Narcotics and Dangerous Drugs Training	16.004	<u>30,181</u>
Total U.S. Department of Justice		<u>43,633</u>
U.S. Department of Labor/ Passed through Saratoga County, New York/ <u>WIA Cluster</u> Workforce Investment Act Adult Programs	17.258	342,610
Workforce Investment Act Youth Activities	17.259	<u>175,462</u>
Total WIA Cluster		<u>518,072</u>
Workforce Investment Act Dislocated Workers	17.260	<u>261,731</u>
Total U.S. Department of Labor		<u>779,803</u>
U.S. Department of Transportation/ Airport Improvement Program	20.106	425,002
Passed through New York State Department of Transportation/ Highway Planning and Construction	20.205	<u>3,458,935</u>
Total U.S. Department of Transportation		<u>3,883,937</u>
U.S. Department of Energy/ Passed through New York State Office for Aging/ Weatherization Assistance for Low-Income Persons	81.042	<u>17,648</u>
U.S. Department of Education/ Passed through New York State Department of Health/ Special Education - Grants for Infants and Families	84.181	<u>35,901</u>
U.S. Election Assistance Commission/ Passed through State Board of Elections/ Help America Vote Act - Requirements Payments	90.401	<u>5,795</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	13,367
Special Programs for the Aging, Title III, Part D - Disease prevention and health promotion services	93.043	7,576
<u>Aging Cluster</u> Special Programs for Aging, Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	115,078
Special Programs for Aging, Title III, Part C - Nutrition service	93.045	189,904
Nutrition Services Incentive Program	93.053	<u>96,385</u>
Total Aging Cluster		<u>401,367</u>
National Family Caregiver Support, Title III, Part E	93.052	56,142
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	76,156

(Continued)

The accompanying notes are an integral part of this schedule.

COUNTY OF WARREN, NEW YORK

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2012**

U.S. Department of Health and Human Services/ Passed through Health Research Incorporated/ Public Health Emergency Preparedness	93.069	50,906
Passed through New York State Office of Children and Family Services/ Promoting Safe and Stable Families	93.556	44,007
Temporary Assistance for Needy Families	93.558	2,538,781
Temporary Assistance for Needy Families - Summer	93.558	67,224
Stephanie Tubbs Jones Child Welfare Services Program	93.645	4,720
Foster Care	93.658	1,521,439
Adoption Assistance	93.659	7,068
ARRA- Adoption Assistance	93.659	791
Social Services Block Grant	93.667	417,966
Passed through New York State Office of Temporary and Disability Assistance: Child Support Enforcement	93.563	239,567
ARRA - Child Support Enforcement	93.563	112,058
Low-Income Home Energy Assistance	93.568	3,505,309
Medical Assistance Program	93.778	1,481,273
Passed through New York State Office of Alcoholism and Substance Abuse Services: Block Grants for Prevention and Treatment of Substance Abuse	93.959	222,149
Passed through New York State Department of Health/ Preventive Health and Health Services Block Grant	93.991	21,657
Maternal and Child Health Services Block Grant to the States	93.994	15,296
Total U.S. Department of Health and Human Services		<u>10,804,819</u>
U.S. Department of Homeland Security/ Hazard Mitigation Grant	97.039	12,373
Passed through New York State Division of Homeland Security and Emergency Services/ Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	230,844
Emergency Management Performance Grant	97.042	33,706
Homeland Security Grant Program	97.067	346,405
Total U.S. Department of Homeland Security		<u>623,328</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 18,567,665</u>

# COUNTY OF WARREN, NEW YORK

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2012

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### 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Warren, New York (County), under programs of the federal government for the year ended December 31, 2012. 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 of Expenditures of Federal Awards. Those relating to the County are as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount</u>
U.S. Department of Health and Human Services Low Income Home Energy Assistance Value of NYS Comptroller expenditures	93.568	\$3,350,152

**COUNTY OF WARREN, NEW YORK**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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**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, 2012

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### SECTION 1. SUMMARY OF AUDITOR'S RESULTS

#### Financial Statements

Type of auditor's report issued: Unqualified

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 auditors' report issued on compliance for major programs:  
Unqualified

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

**COUNTY OF WARREN, NEW YORK**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2012 (Continued)**

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**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>
10.561	Supplemental Nutrition Assistance Program
14.228	Community Development Block Grants – State's Program
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.568	Low Income Home Energy Assistance
93.658	Foster Care – Title IV-E

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

\$557,030

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.