

**COUNTY OF WARREN, NEW YORK**  
**Financial Statements and Required Reports**  
**Under OMB Circular A-133**  
**December 31, 2013**

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

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## INDEPENDENT AUDITOR'S REPORT

September 17, 2014

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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Westmount Health Facility (an enterprise fund), which represent 100% percent of the assets and revenues of the business-type activities. We did not audit the financial statement of the Warren County Local Development Corporation, which represent 97% percent, and 14% percent, respectively, of the assets, and revenues of the discretely presented component units. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Westmount Health Facility and Warren County Local Development Corporation, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### **Auditor's Responsibility (Continued)**

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Warren, New York as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Report on Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-11, and 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Report on Supplementary Information**

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

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2014, 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, 2013**

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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, 2013. This document should be read in conjunction with the County's financial statements which begin on page 12.

#### **FINANCIAL HIGHLIGHTS**

- The County's net position decreased by \$272,000 thousand as a result of this year's activity, which is illustrated in the Statement of Activities. Included in this amount is a \$1.2 million decrease for the Westmount Health Facility under Business Type Activities.
- The County's \$152.8 million in governmental and business-type activity expenses were partially funded with program revenue of \$46.4 million with \$98.1 million funded with general revenue, which is illustrated in the Statement of Activities.
- The modified 2013 budget planned for a decrease in the General Fund balance of approximately \$4.9 million; however, there was an actual operating surplus of \$2.0 million, resulting in a budget surplus of \$6.9 million, which is illustrated in the Combined Statement of Revenue, Expenditures and Changes in Fund Equity - Budget and Actual - General Fund.

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

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

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

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

These two statements report the County's net 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 decreased from \$61.0 million to \$54.4 million. Net position may serve over time as one useful indicator of a government’s financial condition. This reflects a \$6.6 million decrease over the 2012 net position amount. \$6.3 million of this decrease relates to the consolidation of the Tobacco Asset Securitization Corporation (TASC) into the Governmental Activities as a blended component unit. The TASC was previously reported as a discretely presented component unit. The majority of the County’s net position is capital assets (e.g. land, buildings, infrastructure, machinery, and equipment). The County uses these assets to provide services to citizens; consequently these assets are not available for future spending.

Current assets in 2013 for the County’s Governmental Activities increased by \$4.4million. The increase is primarily the result of a \$5.2 million increase in cash, a \$3.4 million decrease in state and federal receivables and a \$1.5 million increase in loans to the County’s Enterprise Fund (Westmount).

Capital assets in 2013 for the County’s Governmental Activities increased by \$3.0 million, of which \$4.0 million is related to Beach Road capital project.

Long-term Debt in 2013 for the County’s Governmental Activities increased by \$12.5 million, of which \$6.3 million relates to an accounting change to consolidate the TASC as mentioned above and a \$6.6 million increase in the retiree’s health insurance post-employment benefit obligation.

## 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 Position (In Millions)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 67.3	\$ 62.9	\$ 4.1	\$ 3.0	\$ 71.4	\$ 65.9
Capital assets	<u>115.2</u>	<u>112.2</u>	<u>3.0</u>	<u>3.3</u>	<u>118.2</u>	<u>115.5</u>
Total assets	<u>\$ 182.6</u>	<u>\$ 175.1</u>	<u>\$ 7.1</u>	<u>\$ 6.3</u>	<u>\$ 189.6</u>	<u>\$ 181.4</u>
Long-term debt outstanding	\$ 93.2	\$ 80.7	\$ 6.3	\$ 6.1	\$ 99.5	\$ 86.8
Other liabilities	<u>30.1</u>	<u>32.0</u>	<u>3.4</u>	<u>1.7</u>	<u>33.5</u>	<u>33.7</u>
Total liabilities	<u>\$ 123.3</u>	<u>\$ 112.7</u>	<u>\$ 9.7</u>	<u>\$ 7.8</u>	<u>\$ 133.0</u>	<u>\$ 120.5</u>
Net position:						
Net investment in capital assets	\$ 73.0	\$ 73.8	\$ 1.6	\$ 1.7	\$ 74.6	\$ 75.5
Restricted	7.5	5.7	-	-	7.5	5.7
Unrestricted	<u>(22.7)</u>	<u>(17.1)</u>	<u>(4.3)</u>	<u>(3.1)</u>	<u>(27.0)</u>	<u>(20.2)</u>
Total net position	<u>\$ 57.8</u>	<u>\$ 62.4</u>	<u>\$ (2.6)</u>	<u>\$ (1.4)</u>	<u>\$ 55.2</u>	<u>\$ 61.0</u>

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Program revenue:						
Charges for services	\$ 15.6	\$ 16.3	\$ 6.4	\$ 6.2	\$ 22.0	\$ 22.5
Operating grants	22.9	24.3	-	0.5	22.9	24.8
Capital grants	8.0	7.7	-	-	8.0	7.7
General revenue:						
Property taxes	41.5	40.4	-	-	41.5	40.4
Other taxes	54.2	52.9	-	-	54.2	52.9
Other general revenue	<u>3.9</u>	<u>3.6</u>	<u>1.6</u>	<u>1.6</u>	<u>5.5</u>	<u>5.2</u>
Total revenue	<u>146.1</u>	<u>145.2</u>	<u>8.0</u>	<u>8.3</u>	<u>154.1</u>	<u>153.5</u>
Program expenses:						
General governmental support	39.2	35.5	-	-	39.2	35.5
Education	2.2	2.1	-	-	2.2	2.1
Public safety	29.0	27.1	-	-	29.0	27.1
Health	15.0	15.1	-	-	15.0	15.1
Transportation	14.1	15.4	-	-	14.1	15.4
Economic Assistance and Opportunity	40.6	40.3	-	-	40.6	40.3
Culture and recreation	1.8	1.8	-	-	1.8	1.8
Home and community services	1.2	1.5	-	-	1.2	1.5
Debt service	2.0	1.4	-	-	2.0	1.4
Westmount Health Facility	-	-	<u>9.2</u>	<u>9.0</u>	<u>9.2</u>	<u>9.0</u>
Total expenses	<u>145.2</u>	<u>140.2</u>	<u>9.2</u>	<u>9.0</u>	<u>154.4</u>	<u>149.2</u>
Change in net position	<u>\$ 0.9</u>	<u>\$ 5.0</u>	<u>\$ (1.2)</u>	<u>\$ (0.7)</u>	<u>\$ (0.4)</u>	<u>\$ 4.3</u>

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

Program revenue –

Operating grants for Governmental Activities decreased by \$1.4 million, of which \$0.7 million is related to a 911 grant 2012.

General Revenues for Governmental Activities, specifically other taxes, increased by \$1.3 million, of which \$1.2 million relates to an increase in sales tax revenue.

Program expenses –

General governmental support increased by \$2.6 million from 2012. Notable increases were a \$0.6 million increase in sales tax distributions due to an increase in sales tax revenue; a \$1.7 million increase in the retiree’s health insurance postemployment benefit obligation.

Public Safety increased by \$1.9 million from 2012. Notable increases were a \$0.9 million increase in salaries and fringe for the Sheriff’s Jail and \$0.8 million in salaries and fringe for the Sheriff’s Law Enforcement.

Transportation decreased by \$1.3 million which is partially attributable to a \$2.2 million decline in the amount of capitalized assets from 2012.

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)**

	2013		2012	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Economic Assistance and Opportunity	\$ 40.6	\$ 22.9	\$ 40.3	\$ 22.5
Public safety	29.0	26.9	27.1	24.1
General support	39.2	33.5	35.5	29.9
Transportation	14.1	5.8	15.4	7.3
Health	15.0	4.6	15.1	4.5
All others	7.2	5.0	6.9	3.6
Totals	\$ 145.2	\$ 98.7	\$ 140.3	\$ 91.9

The increase in the Net Cost of Services for Public Safety and General Support and the decrease in Net Cost of Services for Transportation 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 \$28.1 million, which was \$3.4 million more than last year's total of \$24.7 million. Included in this year's total change in fund balance is a current surplus of \$2.0 million in the County's General Fund. The County budgeted for a \$4.9 million decrease in the General Fund resulting in a budget surplus of \$6.9 million for 2013.

A comparative overview of the Governmental Funds results for 2013 and 2012 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)**

	2013 Revenue	2013 % of Total	2012 Revenue	2012 % of Total
Real property taxes	\$ 38.5	26.7%	\$ 38.0	26.3%
Real property tax items	2.6	1.8%	2.3	1.6%
Sales and use taxes	54.2	37.6%	52.9	36.6%
Departmental income	12.9	8.9%	13.5	9.3%
Intergovernmental charges	1.1	0.8%	1.3	0.9%
Use of money and property	0.9	0.6%	0.8	0.6%
Licenses and permits	0.5	0.3%	0.4	0.3%
Fines and forfeitures	0.6	0.4%	0.4	0.3%
Sale of property and comp for loss	0.6	0.4%	0.7	0.5%
Miscellaneous local sources	1.6	1.1%	2.1	1.5%
State aid	14.9	10.3%	16.0	11.1%
Federal aid	15.8	11.0%	16.1	11.1%
<b>Total revenue</b>	<b>\$ 144.1</b>	<b>100.0%</b>	<b>\$ 144.5</b>	<b>100.0%</b>
	2013 Expenditures	2013 % of Total	2012 Expenditures	2012 % of Total
General governmental support	\$ 36.7	25.5%	\$ 35.5	25.3%
Education	2.2	1.6%	2.1	1.5%
Public safety	25.1	17.5%	24.5	17.5%
Health	14.0	9.7%	14.3	10.2%
Transportation	18.1	12.6%	16.9	12.1%
Economic Assistance and Opportunity	39.8	27.7%	39.5	28.2%
Culture and recreation	1.6	1.1%	1.7	1.2%
Home and community services	1.0	0.7%	1.4	1.0%
Employee benefits	0.2	0.2%	0.2	0.1%
Debt service - principal and interest	4.9	3.4%	4.1	2.9%
<b>Total expenditures</b>	<b>\$ 143.7</b>	<b>100.0%</b>	<b>\$ 140.2</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.

State aid decreased by \$1.1 million from 2012, of which \$0.7 million is attributable to a reduction in Social Services Administrative revenue.

General Governmental support increased by \$1.2 million from 2012, of which \$0.6 million relates to an increase in distribution of sales tax due to an increase in sales tax revenue.

Transportation increased by \$1.2 million from 2012, of which \$0.4 million relates to an increase in equipment purchases for Road Machinery and \$0.8 million is attributable to construction costs for the Corinth Road capital project.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The County's original budget was increased by \$3.0 million during the course of the year. This amount includes \$0.3 million for Sheriff Correction overtime; \$0.4 million for a 911 equipment grant; \$0.3 million relating to transfers to various DPW projects, and \$0.3 million for an increase in the Mental Health program and \$0.3 million for carryover of prior year encumbrances.

The actual charges to appropriations (expenditures) were \$4.7 million below the final budget amounts. The most significant favorable variance occurred in health which was below budgeted amounts by \$2.9 million. The health variance consists of a \$1.4 million under expenditure for the Physically Handicapped Children program and a \$0.4 million under expenditure for the Early Intervention program. Another significant favorable variance occurred in the County's Economic assistance and opportunity which was less than budgeted amounts by \$1.5 million. This variance consists of a favorable variance of \$0.3 million for Social Services Administration. A significant unfavorable variance occurred in the County's General government support which was \$0.4 million more than budgeted amounts. This variance primarily consists of \$1.6 million for distributions of sales tax due to an increase in sales tax revenue for 2013.

Resources available for appropriation were \$2.0 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 \$2.4 million. This variance consists of unfavorable variances of \$1.0 million for the Physically Handicapped Children, \$0.5 for Social Services Administrative, \$0.4 for an unspent 911 grant carried over to 2014 and favorable variances of \$0.5 million for Social Services Administration. The most significant favorable variance occurred in the County's sales and use tax which exceeded budgeted amounts by \$5.2 million, of which \$2.2 million relates to the portion of occupancy tax revenues which are budgeted to be used in the subsequent year out of the reserve and \$3.0 million relates to an increase in sales tax revenue. There were no other significant unfavorable or favorable variances to discuss.

**The final 2013 budget planned on a decrease in the General Fund balance of a \$4.9 million; however, the actual fund balance was increased by \$2.0 million, resulting in a budget surplus of \$6.9 million, which is explained in the above analysis.**

### Capital Assets

At December 31, 2013, the County had \$118.1 million invested in a broad range of capital assets including equipment, buildings, airport facilities, jail, roads, and bridges (see Table 5 below).

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Land	\$ 4.9	\$ 4.9	\$ 0.0	\$ -	\$ 5.0	\$ 4.9
Construction work in progress	34.9	28.5	-	-	34.9	28.5
Land improvements	-	-	0.2	0.1	0.2	0.1
Buildings and improvements	44.0	45.3	1.4	1.4	45.4	46.7
Vehicles and equipment	5.8	5.9	1.1	1.7	6.9	7.6
Infrastructure	25.6	27.6	-	-	25.6	27.6
Totals	<u>\$ 115.2</u>	<u>\$ 112.2</u>	<u>\$ 2.8</u>	<u>\$ 3.2</u>	<u>\$ 118.1</u>	<u>\$ 115.4</u>

## **GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)**

This year major addition included (in millions):

Beach Road Construction, paid for with State and Federal aid and County funds (cost included in construction WIP with a total cost as of 12/31/13 of \$7.9)	\$4.0
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### Debt

At year-end, the County had \$2.3 million in bond anticipation notes outstanding versus \$3.1 million last year. The debt consists of \$0.3 million for the Abatement and Demolition of Annex Building, \$0.1 million for the Sheriff vehicle/bridge rehabilitation, \$1.8 million for various DPW construction projects.

At year-end, the County had \$2.1 million in capital leases outstanding versus \$2.3 million last year. There were no new capital leases in 2013.

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

The County's elected and appointed officials considered many factors when setting the fiscal year 2013 budget, tax rates, and fees that will be charged for the business-type activities. One of these factors is the economy. 2013 average unemployment in the County was 7.3% versus 8.3% the previous year. This is comparable with the 2013 State's average unemployment rate of 7.7% and the national average rate of 7.4%.

This indicator was taken into account when adopting the General Fund budget for 2014. Amounts available for appropriation in the General Fund budget are \$124.6 million, an increase of \$0.3 million over the final 2013 budget of \$124.3 million. This represents a 0.2% 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 \$3.6 million by the close of 2014.

## **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, 2013

	Primary Government			Component Units
	Governmental Activities	Business Type Activities	Total	
<b>ASSETS:</b>				
<b>CURRENT ASSETS:</b>				
Cash	\$ 20,782,713	\$ 487,503	\$ 21,270,216	\$ 1,016,211
Restricted cash	7,492,633	15,167	7,507,800	24,255
Restricted Investments	437,378	-	437,378	-
Taxes receivable, net of an allowance for uncollectible taxes of \$125,000	13,591,373	-	13,591,373	-
Accounts receivable, net of allowance for uncollectible amounts of \$94,510	2,826,411	990,593	3,817,004	3,598
Loans receivable, current portion, net of allowance for doubtful accounts of \$162,000	-	-	-	31,364
State and federal receivables	15,681,093	-	15,681,093	-
Due from governmental activities	-	11,790	11,790	-
Due from business type and fiduciary activities	2,851,598	-	2,851,598	-
Due from third party payors	-	2,342,453	2,342,453	-
Due from other governments	1,080,460	-	1,080,460	-
Prepaid expenses	2,211,594	176,720	2,388,314	-
Inventory	287,341	59,242	346,583	-
Other current assets	84,857	13,168	98,025	-
<b>Total current assets</b>	<b>67,327,451</b>	<b>4,096,636</b>	<b>71,424,087</b>	<b>1,075,428</b>
<b>NONCURRENT ASSETS:</b>				
Due from other governmental activities	-	73,568	73,568	-
Loan receivable, net of current portion	-	-	-	604,472
Capital assets, net	115,227,806	2,911,672	118,139,478	-
<b>Total noncurrent assets</b>	<b>115,227,806</b>	<b>2,985,240</b>	<b>118,213,046</b>	<b>604,472</b>
<b>Total Assets</b>	<b>\$ 182,555,257</b>	<b>\$ 7,081,876</b>	<b>\$ 189,637,133</b>	<b>\$ 1,679,900</b>
<b>LIABILITIES:</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable	5,018,337	96,951	5,115,288	-
Accrued expenses	2,126,053	189,666	2,315,719	158
Capital lease obligations, current portion	241,966	335,653	577,619	-
Bonds payable, current portion	2,214,000	-	2,214,000	-
Bond anticipation notes	2,257,247	-	2,257,247	-
Other current liabilities	2,672,762	61,982	2,734,744	-
Due to business type and governmental activities	71,296	2,537,887	2,609,183	-
Due to other governments	15,543,223	-	15,543,223	244
Compensated absences	-	179,472	179,472	-
<b>Total current liabilities</b>	<b>30,144,884</b>	<b>3,401,611</b>	<b>33,546,495</b>	<b>402</b>
<b>LONG-TERM LIABILITIES:</b>				
Bonds payable, less current portion	35,683,514	-	35,683,514	-
Capital lease obligations, less current portion	1,844,935	937,672	2,782,607	-
Workers' compensation liability	1,828,913	-	1,828,913	-
Compensated absences	4,449,681	189,140	4,638,821	-
Other postemployment benefits	49,348,785	5,169,129	54,517,914	-
<b>Total long-term liabilities</b>	<b>93,155,828</b>	<b>6,295,941</b>	<b>99,451,769</b>	<b>-</b>
<b>Total liabilities</b>	<b>123,300,712</b>	<b>9,697,552</b>	<b>132,998,264</b>	<b>402</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Miscellaneous deferred inflows	-	-	-	3,008
NYSEFC advance payment	1,482,512	-	1,482,512	-
<b>Total deferred inflows of resources</b>	<b>1,482,512</b>	<b>-</b>	<b>1,482,512</b>	<b>3,008</b>
<b>NET POSITION:</b>				
Net investment in capital assets	72,986,144	1,638,347	74,624,491	-
Restricted	7,492,633	13,168	7,505,801	3,830
Unrestricted	(22,706,744)	(4,267,191)	(26,973,935)	1,672,660
<b>Total net position</b>	<b>\$ 57,772,033</b>	<b>\$ (2,615,676)</b>	<b>\$ 55,156,357</b>	<b>\$ 1,676,490</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, 2013

	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	\$ 39,248,909	\$ 5,173,629	\$ 534,181	\$ -	\$ (33,541,099)	\$ -	\$ (33,541,099)	\$ -
Education	2,246,427	-	1,328,304	-	(918,123)	-	(918,123)	-
Public safety	29,001,564	1,422,069	693,237	-	(26,886,258)	-	(26,886,258)	-
Health	14,992,534	5,832,590	4,554,491	-	(4,605,453)	-	(4,605,453)	-
Transportation	14,144,473	215,005	42,769	8,036,909	(5,849,790)	-	(5,849,790)	-
Economic Assistance and Opportunity	40,619,444	2,142,297	15,593,181	-	(22,883,966)	-	(22,883,966)	-
Culture and recreation	1,783,382	110,480	93,410	-	(1,579,492)	-	(1,579,492)	-
Home and community services	1,187,260	562,475	50,202	-	(574,583)	-	(574,583)	-
Interest	1,992,755	102,573	-	-	(1,890,182)	-	(1,890,182)	-
Total governmental activities	145,216,748	15,561,118	22,889,775	8,036,909	(98,728,946)	-	(98,728,946)	-
Business-type activities:								
Westmount Health Facility	9,232,746	6,415,380	-	-	-	(2,817,366)	(2,817,366)	-
Total primary government	\$ 154,449,494	\$ 21,976,498	\$ 22,889,775	\$ 8,036,909	\$ (98,728,946)	\$ (2,817,366)	\$ (101,546,312)	\$ -
<b>COMPONENT UNITS:</b>								
Soil and Water Conservation District	\$ 604,678	\$ 315,891	\$ 292,927	\$ -				\$ 4,140
Local Development Corp.	50,373	95,348	-	-				44,975
Total component units	\$ 655,051	\$ 411,239	\$ 292,927	\$ -				\$ 49,115
<b>GENERAL REVENUE:</b>								
Real property taxes					\$ 38,911,573	\$ -	\$ 38,911,573	\$ -
Real property tax items					2,560,987	-	2,560,987	-
Sales and use taxes					54,236,517	-	54,236,517	-
Use of money and property					897,966	-	897,966	-
Sale of property and compensation for loss					573,415	-	573,415	-
Other sources					2,421,926	1,588,904	4,010,830	-
Total general revenue					\$ 99,602,384	\$ 1,588,904	\$ 101,191,288	\$ -
Change in net position					\$ 873,438	\$ (1,228,462)	\$ (355,024)	\$ 49,115
Net position - beginning of year, as originally stated					62,368,716	(1,387,214)	60,981,502	(3,842,746)
Cumulative affect of accounting change					(5,470,121)	-	(5,470,121)	5,470,121
Net position - beginning of year, as restated					56,898,595	(1,387,214)	55,511,381	1,627,375
Net position - end of year					\$ 57,772,033	\$ (2,615,676)	\$ 55,156,357	\$ 1,676,490

The accompanying notes are an integral part of these statements.



COUNTY OF WARREN, NEW YORK

BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
<b>ASSETS:</b>					
Cash	\$ 18,443,489	\$ 715,043	\$ -	\$ 1,624,181	\$ 20,782,713
Restricted cash	3,776,174	577,439	187,942	294,109	4,835,664
Restricted investments	-	-	437,378	-	437,378
Taxes receivable, net of an allowance for uncollectible taxes of \$125,000	13,591,373	-	-	-	13,591,373
Accounts receivable, net of allowance for uncollectible amounts of \$94,510	1,913,479	-	800,000	112,932	2,826,411
Due from other funds	4,892,030	897,435	116	7,805	5,797,386
State and federal receivables	9,275,458	4,639,750	-	1,765,885	15,681,093
Due from other governments	591,477	275,367	-	213,616	1,080,460
Prepaid expenditures	2,007,604	69	-	197,420	2,205,093
Inventory	68,185	-	-	219,156	287,341
Miscellaneous other assets	<u>84,857</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,857</u>
Total assets	<u>\$ 54,644,126</u>	<u>\$ 7,105,103</u>	<u>\$ 1,425,436</u>	<u>\$ 4,435,104</u>	<u>\$ 67,609,769</u>
<b>LIABILITIES:</b>					
Accounts payable	3,772,632	621,455	-	580,195	4,974,282
Accrued expenses	1,670,655	6,000	-	176,065	1,852,720
Other liabilities	47,502	-	-	-	47,502
Compensated absences	2,351,393	-	-	263,460	2,614,853
Bond anticipation notes	-	2,257,247	-	-	2,257,247
Due to other funds	556,495	2,103,155	-	390,076	3,049,726
Due to other governments	15,472,510	-	-	34,223	15,506,733
Unearned revenue	<u>1,065,901</u>	<u>-</u>	<u>-</u>	<u>391</u>	<u>1,066,292</u>
Total liabilities	<u>24,937,088</u>	<u>4,987,857</u>	<u>-</u>	<u>1,444,410</u>	<u>31,369,355</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Deferred property taxes	7,022,375	-	-	-	7,022,375
Deferred tobacco revenues	-	-	800,000	-	800,000
Grant funds received in advance	<u>-</u>	<u>416,220</u>	<u>-</u>	<u>-</u>	<u>416,220</u>
Total deferred inflows of resources	7,022,375	416,220	800,000	-	8,238,595
<b>FUND BALANCE:</b>					
Nonspendable	2,075,789	69	-	416,576	2,492,434
Restricted	1,744,935	-	625,436	-	2,370,371
Assigned	3,895,268	1,700,957	-	2,574,118	8,170,343
Unassigned	<u>14,968,671</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,968,671</u>
Total fund balance	<u>22,684,663</u>	<u>1,701,026</u>	<u>625,436</u>	<u>2,990,694</u>	<u>28,001,819</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 54,644,126</u>	<u>\$ 7,105,103</u>	<u>\$ 1,425,436</u>	<u>\$ 4,435,104</u>	<u>\$ 67,609,769</u>

The accompanying notes are an integral part of these statements.

COUNTY OF WARREN, NEW YORK

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Non-Major Governmental Funds</u>	<u>Total (Memorandum Only)</u>
REVENUE:					
Real property taxes	\$ 29,297,916	\$ -	\$ -	\$ 9,202,603	\$ 38,500,519
Real property tax items	2,560,987	-	-	-	2,560,987
Sales and use taxes	54,236,517	-	-	-	54,236,517
Departmental income	12,879,271	-	-	7,678	12,886,949
Intergovernmental charges	1,045,381	1,093	-	44,223	1,090,697
Use of money and property	838,140	3,100	30,709	17,757	889,706
Licenses and permits	496,713	-	-	-	496,713
Fines and forfeitures	597,916	-	-	-	597,916
Sale of property and compensation for loss	438,423	-	-	134,992	573,415
Miscellaneous local sources	586,765	241,833	792,528	800	1,621,926
Interfund revenues	-	-	-	1,561,061	1,561,061
State aid	11,907,052	1,325,336	-	1,655,520	14,887,908
Federal aid	9,968,581	4,793,395	-	1,025,889	15,787,865
	<u>124,853,662</u>	<u>6,364,757</u>	<u>823,237</u>	<u>13,650,523</u>	<u>145,692,179</u>
Total revenue					
EXPENDITURES:					
General governmental support	36,090,273	28,647	422,364	140,824	36,682,108
Education	2,246,427	-	-	-	2,246,427
Public safety	24,523,876	3,743	-	598,428	25,126,047
Health	13,973,255	-	-	-	13,973,255
Transportation	845,725	6,316,566	-	10,935,941	18,098,232
Economic assistance and opportunity	38,874,902	-	-	946,823	39,821,725
Culture and recreation	1,266,346	367,479	-	-	1,633,825
Home and community services	950,181	-	-	62,123	1,012,304
Employee benefits	107,194	-	-	120,528	227,722
Debt service - interest	97,879	-	1,686,905	17,004	1,801,788
Debt service - principal	593,817	-	2,119,000	382,110	3,094,927
	<u>119,569,875</u>	<u>6,716,435</u>	<u>4,228,269</u>	<u>13,203,781</u>	<u>143,718,360</u>
Total expenditures					
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>5,283,787</u>	<u>(351,678)</u>	<u>(3,405,032)</u>	<u>446,742</u>	<u>1,973,819</u>
OTHER FINANCING SOURCES (USES):					
Interfund transfers in	136,790	1,069,833	3,311,137	46,453	4,564,213
Interfund transfers (out)	(3,415,969)	(173,190)	-	(975,054)	(4,564,213)
BANs redeemed from appropriations	-	823,015	-	-	823,015
	<u>(3,279,179)</u>	<u>1,719,658</u>	<u>3,311,137</u>	<u>(928,601)</u>	<u>823,015</u>
Total other financing sources (uses)					
EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	2,004,608	1,367,980	(93,895)	(481,859)	2,796,834
FUND BALANCE - beginning of year	<u>20,680,055</u>	<u>333,046</u>	<u>719,331</u>	<u>3,472,553</u>	<u>25,204,985</u>
FUND BALANCE - end of year	<u>\$ 22,684,663</u>	<u>\$ 1,701,026</u>	<u>\$ 625,436</u>	<u>\$ 2,990,694</u>	<u>\$ 28,001,819</u>

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, 2013**

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Fund balance - All governmental funds	\$ 28,001,819
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.	115,227,806
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.	(44,434,096)
Other postemployment benefits liability.	(49,348,785)
Internal service funds used by management to charge the cost of certain activities is not included in governmental funds in the fund financial statements.	769,940
Unearned taxes are recognized as revenue under the accrual basis of accounting.	7,822,375
Interest payable at December 31, 2013, in the government-wide statements under full accrual accounting.	<u>(267,026)</u>
Net position of governmental activities	<u>\$ 57,772,033</u>

The accompanying notes are an integral part of these statements.

**COUNTY OF WARREN, NEW YORK**

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS  
TO STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

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Net change in fund balance - Total governmental funds	\$ 2,796,834
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net position	7,682,247
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities	(4,683,403)
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	2,922,152
Bond anticipation notes redeemed from appropriations are not recognized as revenue in the statement of activities	(823,015)
Accrual of accreted interest is interest expense in the statement of activities, but not in the governmental funds	-
Property tax revenue is recorded to the extent it is received within 60 days of year-end for governmental funds, but in the statement of activities, this revenue is recorded as earned upon levy	1,211,054
Revenues and expenditures of the internal service funds are included in the governmental activities in the statement of activities	(1,318,442)
Accrued postemployment benefits, long-term portion of compensated absences, and settlements and claims do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds	(6,895,797)
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>(18,192)</u>
Change in net position - Governmental activities	<u>\$ 873,438</u>

The accompanying notes are an integral part of these statements.

COUNTY OF WARREN, NEW YORK

STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
DECEMBER 31, 2013

	Business-type Activities Enterprise Fund	Governmental Activities Internal Service Funds	
	Westmount Health Facility	Workers' Compensation	Self Insurance
<b>ASSETS:</b>			
Current assets:			
Cash	\$ 487,503	\$ -	\$ -
Restricted cash	15,167	2,560,470	96,499
Assets limited as to use	13,168	-	-
Patient accounts receivable, net	990,593	-	-
Due from third party payers	2,342,453	-	-
Inventories	59,242	-	-
Prepaid expenses	176,720	6,501	-
Due from other funds	-	-	35,255
Due from County	11,790	-	-
Total current assets	<u>4,096,636</u>	<u>2,566,971</u>	<u>131,754</u>
Long-term assets:			
Due from County	73,568	-	-
Capital assets, net	2,911,672	-	-
Total long-term assets	<u>2,985,240</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 7,081,876</u>	<u>\$ 2,566,971</u>	<u>\$ 131,754</u>
<b>LIABILITIES:</b>			
Current liabilities:			
Accounts payable	\$ 96,951	\$ 44,055	\$ -
Current portion of capital lease payable	335,653	-	-
Accrued payroll and related benefits	189,666	6,307	-
Vacation leave and related benefits	179,472	10,407	-
Due to County	2,037,887	-	-
Due to other funds	-	2,613	-
Due to third party payers	46,205	-	-
Due to other governments	-	1,235	35,255
Patient funds	15,167	-	-
Other current liabilities	610	-	-
Total current liabilities	<u>2,901,611</u>	<u>64,617</u>	<u>35,255</u>
Long-term liabilities:			
Due to County, net of current portion	\$ 500,000	-	-
Long-term portion of capital lease payable	937,672	-	-
Workers' compensation liability	-	1,828,913	-
Postemployment health benefits	5,169,129	-	-
Sick leave and related benefits	189,140	-	-
Total long-term liabilities	<u>6,795,941</u>	<u>1,828,913</u>	<u>-</u>
Total liabilities	<u>9,697,552</u>	<u>1,893,530</u>	<u>35,255</u>
<b>NET POSITION:</b>			
Net Investment in capital assets	1,638,347	-	-
Restricted	13,168	2,560,470	96,499
Unrestricted	<u>(4,267,191)</u>	<u>(1,887,029)</u>	<u>-</u>
Total net position	<u>\$ (2,615,676)</u>	<u>\$ 673,441</u>	<u>\$ 96,499</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, 2013**

	Business-type		
	Activities	Governmental Activities	
	Enterprise Fund	Internal Service Funds	
	Westmount Health Facility	Workers' Compensation	Self Insurance
Operating revenue:			
Charges for services, net	\$ 6,408,642	\$ 1,286,506	\$ 139,787
Other operating revenue	<u>6,738</u>	<u>-</u>	<u>-</u>
Total operating revenue	<u>6,415,380</u>	<u>1,286,506</u>	<u>139,787</u>
Operating expenses:			
Nursing services	3,279,773	-	-
Ancillary services	471,531	-	-
Dietary services	678,207	-	-
Housekeeping	217,169	-	-
Laundry service	81,605	-	-
Maintenance	412,116	-	-
Administrative and fiscal services	619,802	-	-
Employee benefits	2,697,118	-	139,787
New York State tax assessment	266,065	-	-
Contractual expenses	-	2,612,756	-
Depreciation	361,016	-	-
Provision for bad debts	<u>149,929</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>9,234,331</u>	<u>2,612,756</u>	<u>139,787</u>
Loss from operations	<u>(2,818,951)</u>	<u>(1,326,250)</u>	<u>-</u>
Non-operating revenue (expense):			
Indirect costs and operating transfers from County	246,557	-	-
Intergovernmental transfers	1,400,000	-	-
Interest income	-	8,034	226
Interest expense	1,585	-	-
Grant revenue	(59,371)	-	-
Other	<u>1,718</u>	<u>-</u>	<u>-</u>
Total non-operating revenue	<u>1,590,489</u>	<u>8,034</u>	<u>226</u>
Change in net position	(1,228,462)	(1,318,216)	226
Net position - beginning of year	<u>(1,387,214)</u>	<u>1,991,657</u>	<u>96,273</u>
Net position - end of year	<u>\$ (2,615,676)</u>	<u>\$ 673,441</u>	<u>\$ 96,499</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, 2013

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CASH FLOW FROM OPERATING ACTIVITIES:	
Cash received from patient services	\$ 5,276,389
Cash payments to suppliers for goods and services	(392,293)
Cash payments to employees for services	(5,885,192)
Other operating revenue	<u>6,738</u>
Net cash flow from operating activities:	<u>(994,358)</u>
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES:	
Intergovernmental transfers	1,400,000
Other	<u>1,249</u>
Net cash flow from noncapital financing activities	<u>1,401,249</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal payments on capital lease	(321,390)
Payments of interest	(59,371)
Capital expenditures	<u>(22,802)</u>
Net cash flow from capital and related financing activities	<u>(403,563)</u>
CASH FLOW FROM INVESTING ACTIVITIES:	
Interest income	57
Net change in assets whose use is limited	<u>1,585</u>
Net cash flow from investing activities	<u>1,642</u>
CHANGE IN CASH	4,970
CASH - beginning of year	<u>482,533</u>
CASH - end of year	<u>\$ 487,503</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH (USED IN)	
OPERATING ACTIVITIES:	
Loss from operations	\$ (2,818,951)
Adjustments to reconcile loss from operations	
to net cash flow (used in) from operating activities:	
Depreciation	361,016
Provisions for bad debts	149,929
Indirect services and operating transfers from County	246,557
Change in:	
Accounts receivable	(477,967)
Inventories	(14,283)
Prepaid expenses	(30,802)
Accounts payable	(80,742)
Due to/from third party payers	(654,286)
Accrued items	(58,318)
Due to/from County	1,762,379
Postemployment health benefits	622,096
Unearned revenue	<u>(986)</u>
Net cash flow from operating activities	<u>\$ (994,358)</u>

The accompanying notes are an integral part of these statements.

**COUNTY OF WARREN, NEW YORK**

**STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
DECEMBER 31, 2013**

<b>ASSETS:</b>	Private Purpose Trust	Agency
Cash	\$ 3,631	\$ 4,881,607
Due from other funds	-	33,428
Due from other governments	-	25,038
Other assets	-	7,326
Total assets	\$ 3,631	\$ 4,947,399
 <b>LIABILITIES:</b>		
Due to other funds	-	\$ 275,843
Due to other governments	-	71,955
Agency liabilities	-	4,599,601
Total liabilities	-	\$ 4,947,399
 <b>NET POSITION</b>	 <b>\$ 3,631</b>	

**COUNTY OF WARREN, NEW YORK**

**STATEMENT OF CHANGE IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Private Purpose Trust
<b>ADDITIONS:</b>	
Investment earnings	\$ 5
Gifts and donations	2,312
	2,317
 <b>DEDUCTIONS:</b>	
Economic Assistance and Opportunity	\$ 2,483
CHANGE IN NET POSITION	(166)
NET POSITION - beginning of year	3,797
NET POSITION - end of year	\$ 3,631

The accompanying notes are an integral part of these statements.



**COUNTY OF WARREN, NEW YORK**

**STATEMENT OF NET POSITION - COMPONENT UNITS  
DECEMBER 31, 2013**

	Soil and Water Conservation District	Local Development Corporation	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 4,232	\$ 1,011,979	\$ 1,016,211
Cash - restricted	24,255	-	24,255
Loans receivable, current portion, net of allowance for doubtful accounts of \$162,000	-	31,364	31,364
Accounts receivable	<u>-</u>	<u>3,598</u>	<u>3,598</u>
Total current assets	28,487	1,046,941	1,075,428
Loans receivable, less current portion	<u>-</u>	<u>604,472</u>	<u>604,472</u>
Total assets	<u>28,487</u>	<u>1,651,413</u>	<u>1,679,900</u>
<b>LIABILITIES:</b>			
Accrued expenses	158	-	158
Due to other governments	<u>244</u>	<u>-</u>	<u>244</u>
Total current liabilities	<u>402</u>	<u>-</u>	<u>402</u>
Total liabilities	<u>402</u>	<u>-</u>	<u>402</u>
<b>DEFERRED INFLOWS:</b>			
Miscellaneous deferred inflows	<u>3,008</u>	<u>-</u>	<u>3,008</u>
<b>NET POSITION</b>			
Restricted	3,830	-	3,830
Unrestricted	<u>21,247</u>	<u>1,651,413</u>	<u>1,672,660</u>
Total net position	<u>25,077</u>	<u>1,651,413</u>	<u>1,676,490</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 28,487</u>	<u>\$ 1,651,413</u>	<u>1,679,900</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, 2013**

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	Soil and Water Conservation District	Local Development Corp.	Total
Revenue:			
Departmental income	\$ 44,349	\$ 19,323	\$ 63,672
Use of money and property	90	23,585	23,675
Sale of property and compensation for loss	268,000	2,440	270,440
Miscellaneous local sources	3,452	50,000	53,452
State aid	<u>292,927</u>	<u>-</u>	<u>292,927</u>
Total revenue	<u>608,818</u>	<u>95,348</u>	<u>704,166</u>
Expenditures:			
General governmental support	<u>604,678</u>	<u>50,373</u>	<u>655,051</u>
Total expenditures	<u>604,678</u>	<u>50,373</u>	<u>655,051</u>
CHANGE IN NET POSITION	4,140	44,975	49,115
NET POSITION - beginning of year	<u>20,937</u>	<u>1,606,438</u>	<u>1,627,375</u>
NET POSITION - end of year	<u>\$ 25,077</u>	<u>\$ 1,651,413</u>	<u>\$ 1,676,490</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, 2013

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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. Due to the benefit that will be transferred back to the County, the WTASC is treated as a blended component unit and consolidated with the Debt Service Fund.

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

### Reporting Entity (Continued)

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

### Basis of Presentation

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

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

#### *Government-Wide Financial Statements*

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

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

#### *Fund Financial Statements*

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

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

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

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

### *Fund Financial Statements (Continued)*

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

#### Governmental Fund Types

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

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

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

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

#### Proprietary Fund Types

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

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

### Proprietary Fund Types (Continued)

The County maintains the following proprietary fund types:

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

### Fiduciary Fund Types

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

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

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

### Basis of Accounting, Measurement Focus, and Financial Statement Presentation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### Budgetary Data

#### *General Budget Process*

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

#### *Budget Basis of Accounting*

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

### Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Open encumbrances at year-end are reported as 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 2013 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 \$54,517,914 as of December 31, 2013.

### 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

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

### Unearned Revenue

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

### Net Position Classifications – Government Wide Statements

Net position is displayed in three components:

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

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

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

### Fund Balance Classifications - Governmental Fund Statements

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

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

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

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

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

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

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

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

### Order of Fund Balance Spending Policy

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

### Interfund Activity

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

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

Effect of Accounting Change

The County has consolidated the WTASC into the Debt Service Fund as it is considered a blended component unit. The impact on the financial statements is a restatement of the beginning net position for the governmental activities as previously stated of \$62,368,716 reduced by the deficit of WTASC of \$5,470,121 for a restated net position at January 1, 2013, of \$56,898,595. This affect is reflected in the statement of activities.

Newly Adopted Accounting Standards

During the year ended December 31, 2013, the County adopted GASB 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.

**2. CASH**

As of December 31, 2013, all of the County's cash balances were either insured or collateralized with securities held by the pledging financial institution's trust department in the County's name:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash, including trust funds	\$ 34,321,580	\$ 33,663,254
Collateralized with securities held by the pledging financial institution's trust department or agent in the County's name	\$ 38,334,091	
Covered by FDIC insurance	<u>1,097,438</u>	
Total	<u>\$ 39,431,529</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>3,776,174</u>	Reserve for capital project acquisitions, construction, and reconstruction.
Capital Projects	<u>577,439</u>	Construction and reconstruction.
Debt Service	<u>187,942</u>	Reserve for debt service
Non-major Governmental	<u>294,109</u>	Reserve for capital project acquisitions
Enterprise	<u>15,167</u>	Patient funds
Internal Service Funds	96,499	Unemployment insurance
	<u>2,560,470</u>	Workers' compensation insurance
Total Internal Service Funds	<u>2,656,969</u>	
Total Restricted Cash	<u>7,507,800</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, \$9,954,685, 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, \$7,022,375 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, 2013.

Expected repayment on the loans receivable is as follows:

For the Year Ending December 31,

2014	\$	193,364
2015		173,496
2016		106,731
2017		43,486
2018		19,747
Thereafter		<u>261,012</u>
Total		797,836
Less: current portion		<u>(193,364)</u>
Total	\$	<u><u>604,472</u></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>\$ 9,275,458</u>	Claims for reimbursement of expenditures in administering various health and social service programs net of related advances.
Special revenue	<u>\$ 1,765,885</u>	Claims for reimbursement of expenditures for job training programs and highway improvements.
Capital projects	<u>\$ 4,639,750</u>	Claims for reimbursement of expenditures for various capital projects.
Total State and Federal Receivable	<u>\$ 15,681,093</u>	

## 7. CAPITAL ASSETS, NET

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

	Balance at January 1, <u>2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance at December 31, <u>2013</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 4,940,874	\$ -	\$ -	\$ 4,940,874
Construction in progress	<u>28,474,041</u>	<u>6,391,039</u>	-	<u>34,865,080</u>
Total nondepreciable assets	<u>33,414,915</u>	<u>6,391,039</u>	-	<u>39,805,954</u>
Capital assets that are depreciated:				
Land improvements	362,210	-	-	362,210
Buildings and improvements	62,273,995	-	-	62,273,995
Vehicles and equipment	18,181,952	1,291,208	44,519	19,428,641
Infrastructure	<u>55,690,372</u>	-	-	<u>55,690,372</u>
Total depreciated assets	<u>136,508,529</u>	<u>1,291,208</u>	<u>44,519</u>	<u>137,755,218</u>
Less: Accumulated depreciation				
Land improvements	362,210	-	-	362,210
Buildings and improvements	16,919,055	1,378,295	-	18,297,350
Vehicles and equipment	12,331,833	1,321,758	44,519	13,609,072
Infrastructure	<u>28,081,384</u>	<u>1,983,350</u>	-	<u>30,064,734</u>
Total accumulated depreciation	<u>57,694,482</u>	<u>4,683,403</u>	<u>44,519</u>	<u>62,333,366</u>
Total capital assets, net	<u>\$ 112,228,962</u>	<u>\$ 2,998,844</u>	<u>\$ -</u>	<u>\$ 115,227,806</u>
Business-type Activities:				
Capital assets that are not depreciated:				
Land	\$ 25,100	\$ -	\$ -	\$ 25,100
Construction in progress	-	-	-	-
Total nondepreciable assets	<u>25,100</u>	-	-	<u>25,100</u>
Capital assets that are depreciated:				
Land improvements	224,730	-	-	224,730
Buildings and improvements	3,447,348	-	-	3,447,348
Vehicles and equipment	<u>5,016,438</u>	<u>11,297</u>	-	<u>5,027,735</u>
Total depreciated assets	<u>8,688,516</u>	<u>11,297</u>	-	<u>8,699,813</u>
Less: Accumulated depreciation				
	<u>5,463,730</u>	<u>349,511</u>	-	<u>5,813,241</u>
Total capital assets, net	<u>\$ 3,249,886</u>	<u>\$ (338,214)</u>	<u>\$ -</u>	<u>\$ 2,911,672</u>

**7. CAPITAL ASSETS (Continued)**

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

General government support	\$	253,499
Public safety		990,136
Health		56,176
Transportation		2,858,459
Economic Assistance and Opportunity		465,997
Culture and recreation		16,868
Home and community		<u>42,268</u>
Total depreciation expense	\$	<u>4,683,403</u>

**8. UNEARNED REVENUE**

Unearned revenue consists of the following at December 31, 2013:

General Fund		
Miscellaneous revenue	\$	32,499
Mental health programs		985,634
Sheriff grant program		6,106
Gaslight village parking fees		<u>41,662</u>
		<u>1,065,901</u>
Special Revenue Fund		
Grant revenue	\$	<u>391</u>

**9. BOND ANTICIPATION NOTES**

Governmental Activities

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

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



**9. BOND ANTICIPATION NOTES (Continued)**

Governmental Activities (Continued)

The following BANs were outstanding at December 31, 2013:

Sheriff Vehicle and Bridge Rehab dated April 5, 2013 due April 5, 2014 with interest at 1.25%	\$ 132,334
Abatement and demolition of Annex Building dated April 26, 2013 due April 26, 2014 with interest at 1.25%	230,858
Abatement and demolition of Annex Building dated October 4, 2013 due October 3, 2014 with interest at 1.79%	58,414
Various DPW constructions dated October 3, 2013 due October 3, 2014 with interest at .93%	<u>1,835,641</u>
Total BANs outstanding at County of Warren as of December 31, 2013.	<u><u>\$2,257,247</u></u>

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

<u>Governmental activity short-term financing</u>	Balance at January 1, <u>2013</u>	<u>Increase</u>	<u>Decrease</u>	Balance at December 31, <u>2013</u>
Bond anticipation notes:				
Abatement & Demolition BAN	\$ 87,622	\$ -	\$ 29,208	\$ 58,414
Abatement & Demolition BAN	346,288	-	115,430	230,858
Gaslight Village BAN	133,334	-	133,334	-
Sheriff Vehicle/Bridge Rehab	264,667	-	132,333	132,334
DPW Construction BAN	2,294,551	-	458,910	1,835,641
Total bond anticipation notes	<u>\$ 3,126,462</u>	<u>\$ -</u>	<u>\$ 869,215</u>	<u>\$ 2,257,247</u>

## 10. LONG-TERM DEBT

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

	Balance at January 1, <u>2013</u>	<u>Increase</u>	<u>Decrease</u>	Balance at December 31, <u>2013</u>
Governmental activities:				
Serial bonds	\$ 33,047,000	\$ -	\$ 1,979,000	\$ 31,068,000
Capital lease obligations	2,239,813	-	152,912	2,086,901
Compensated absences	4,187,869	261,812	-	4,449,681
Self-insurance claims payable	<u>765,633</u>	<u>-</u>	<u>765,633</u>	<u>-</u>
Total governmental long-term debt	<u>\$ 40,240,315</u>	<u>\$ 261,812</u>	<u>\$ 2,897,545</u>	<u>\$ 37,604,582</u>
Business-type Activities:				
Capital lease obligations	<u>\$ 1,594,715</u>	<u>\$ -</u>	<u>\$ 321,390</u>	<u>\$ 1,273,325</u>
Blended Component Unit (WTASC):				
Serial bonds and accreted interest	<u>\$ 6,796,739</u>	<u>* \$ 172,775</u>	<u>\$ 140,000</u>	<u>\$ 6,829,514</u>

\* Increase in accreted interest on capital appreciation bonds

Interest on all debt for the year was composed of:

Interest paid	\$ 1,453,531
Add: Current year accrued interest	267,026
Less: Prior year accrued interest	<u>(248,834)</u>
Total expense	<u>\$ 1,992,755</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 12/31/13</u>
Governmental activities:					
Public Improvement Serial Bonds 2009	12/30/2009	21,480,000	2.61%	2034	19,355,000
Airport Hanger Serial Bond 2010	4/12/2010	800,000	3.75%	2015	320,000
ACC Computer Software Serial Bonds 2010	7/14/2010	468,000	3.04%	2015	188,000
Public Improvement Refunding Serial Bonds 2012	5/16/2012	<u>11,340,000</u>	2.0-5.0%	2023	<u>11,205,000</u>
		<u>\$ 34,088,000</u>			<u>\$ 31,068,000</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 12/31/13</u>
Governmental activities:					
Tobacco Settlement Bonds - 2001 Series	2001	\$ 5,540,000	5.0%-6.0%	2025	\$ 4,025,000
Tobacco Settlement CAB - 2005 Series	2005*	1,852,507	6.0%-7.15%	2031	1,677,607
Accreted interest - 2005 Series	2005	-		2060	1,126,907
		<u>\$ 7,392,507</u>			<u>\$ 6,829,514</u>

\* Capital Appreciation Bonds (CAB)

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

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2014	\$ 2,214,000	\$ 1,278,811	\$ 3,492,811
2015	2,239,000	1,211,127	3,450,127
2016	2,010,000	1,135,515	3,145,515
2017	2,025,000	1,086,938	3,111,938
2018	2,100,000	1,028,837	3,128,837
2019-2023	11,075,000	4,168,736	15,243,736
2024-2028	5,905,000	2,352,671	8,257,671
2029-2033	6,125,000	1,113,227	7,238,227
2034-2035	1,400,000	58,915	1,458,915
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	390,960	17,609,040	18,000,000
Total	<u>\$ 36,770,607</u>	<u>\$ 48,312,170</u>	<u>\$ 85,082,777</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 was 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)

Capital leases are comprised of the following at December 31, 2013:

<u>Description</u>	<u>Date Issued</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Balance at 12/31/13</u>
<u>Governmental Activities:</u>					
Countryside capital improv.	10/27/2006	\$ 327,339	2.85%	1/1/2022	\$ 212,929
Mun. Center capital improv.	7/20/2007	<u>2,496,750</u>	3.70%	12/1/2022	<u>1,873,972</u>
		2,824,089			2,086,901
<u>Business Type Activities:</u>					
Co-generation plant	5/20/2005	<u>3,626,548</u>	4.35%	4/20/2018	<u>1,273,325</u>
Total capital leases		<u>\$ 6,450,637</u>			<u>\$ 3,360,226</u>

Capital Leases

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2014	\$ 241,966	384,403
2015	251,966	384,403
2016	259,966	384,403
2017	269,266	224,234
2018	280,340	-
2019-2023	<u>1,200,137</u>	<u>-</u>
Total minimum lease payments	2,503,641	1,377,443
Less: Amounts representing interest costs	<u>411,983</u>	<u>104,118</u>
Present value of minimum lease payments	<u>\$ 2,091,658</u>	<u>\$ 1,273,325</u>

## 11. FUND BALANCE

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

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
<b>Non-spendable:</b>					
Prepaid expenditures	\$ 2,007,604	\$ 69	\$ -	\$ 197,420	\$ 2,205,093
Inventory	<u>68,185</u>	<u>-</u>	<u>-</u>	<u>219,156</u>	<u>287,341</u>
	<u>2,075,789</u>	<u>69</u>	<u>-</u>	<u>416,576</u>	<u>2,492,434</u>
<b>Restricted:</b>					
Debt service	-	-	625,436	-	625,436
Capital	404,792	-	-	-	404,792
Occupancy tax	682,005	-	-	-	682,005
Probation	4,203	-	-	-	4,203
Forfeit crime	451,376	-	-	-	451,376
Environmental Testing	87,588	-	-	-	87,588
Stop DWI	<u>114,971</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>114,971</u>
	<u>1,744,935</u>	<u>-</u>	<u>625,436</u>	<u>-</u>	<u>2,370,371</u>
<b>Assigned:</b>					
Encumbrances	303,011	-	-	-	303,011
Capital projects	-	1,700,957	-	-	1,700,957
Operations of special revenue funds	-	-	-	1,859,118	1,859,118
Appropriated for ensuing year	<u>3,592,257</u>	<u>-</u>	<u>-</u>	<u>715,000</u>	<u>4,307,257</u>
	<u>3,895,268</u>	<u>1,700,957</u>	<u>-</u>	<u>2,574,118</u>	<u>8,170,343</u>
<b>Unassigned:</b>					
	<u>14,968,671</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,968,671</u>
Total Fund Balance	<u>\$ 22,684,663</u>	<u>\$ 1,701,026</u>	<u>\$ 625,436</u>	<u>\$ 2,990,694</u>	<u>\$ 28,001,819</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.

## 12. RETIREMENT BENEFITS (Continued)

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.

### Funding Policy (Continued)

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

	<u>ERS</u>
2013	\$7,672,988
2012	\$6,776,093
2011	\$5,473,261

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

## 13. OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS

### Plan Description

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

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

The Retirement Plan can be amended by action of the County subject to applicable collective bargaining and employment agreements. The number of retired employees currently eligible to receive benefits at December 31, 2013, 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 2013 by the County was \$7,672,988.

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

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 11,349,597
Interest on net OPEB obligation	1,890,454
Adjustment to ARC	<u>(2,733,130)</u>
Annual OPEB cost (expense)	10,506,921
Contributions made	<u>(3,250,388)</u>
Increase in net OPEB obligation	7,256,533
Net OPEB obligation - beginning of year	<u>47,261,381</u>
Net OPEB obligation - end of year	<u>\$ 54,517,914</u>

The following table provides trend information for the Retirement Plan:

<u>Year End</u>	<u>Annual OPEB costs</u>	<u>Actual Contribution</u>	<u>Percent Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 10,506,921	\$ 3,250,388	30.9%	\$ 54,517,914
2012	\$ 9,790,357	\$ 3,361,469	34.3%	\$ 47,261,380
2011	\$ 10,209,689	\$ 2,879,821	28.2%	\$ 40,832,493

Funded Status and Funding Progress

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

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

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

Schedule of Funding Progress for the County's Plan

<u>Actuarial Date</u>	<u>Actuarial Value of Plan Assets</u>	<u>Accrued Liability</u>	<u>Unfunded Accrued Liability (UAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAL as a % of Covered Payroll</u>
1/1/2013	\$ -	\$ 106,835,874	\$ 106,835,874	0.00%	\$ 37,271,591	286.64%
1/1/2012	-	109,918,930	109,918,930	0.00%	36,083,888	304.62%
1/1/2011	-	111,776,147	111,776,147	0.00%	36,387,907	307.18%

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.

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, 2013 was \$1,844,538.

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, 2013 was \$7,000.



**14. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

Lake Champlain-Lake George Regional Development Corporation

The operation of the Lake Champlain-Lake George Regional Development Corporation is undertaken jointly with the Counties of Essex, Clinton, Hamilton, and Washington under Section 402 and 1411 of the Not-for-Profit Corporation Law of New York State and is excluded from the County's financial statements. Separate financial statements are issued for the corporation. The County's share of the operating costs for the year ended December 31, 2013 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, 2013 was \$0.

**15. OPERATING TRANSFERS AND INTERFUND RECEIVABLES AND PAYABLES**

Individual interfund receivable and payable balances arising from these transactions as of December 31, 2013, were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General fund	\$ 4,892,030	\$ 556,495
Special revenue funds	7,805	390,076
Capital projects fund	897,435	2,103,155
Debt service fund	116	-
Enterprise fund	-	2,537,887
Internal service funds	35,255	2,613
Fiduciary funds	<u>33,428</u>	<u>275,843</u>
 Total	 <u>\$ 5,866,069</u>	 <u>\$ 5,866,069</u>

Interfund balances are used:

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

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

Interfund transfers throughout the year ended, were as follows:

	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
General Fund	\$ 136,790	\$ 3,415,969
County Road	44,016	788,638
Road Machinery	2,437	186,416
Capital projects fund	1,069,833	173,190
Debt Service	<u>3,311,137</u>	<u>-</u>
Total	<u>\$ 4,564,213</u>	<u>\$ 4,564,213</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, 2013, there were 43 participants, including the County. The County is responsible for administration of the plan and its reserves. Participant contributions, except for Westmount, which are financed on a pay-as-you-go basis, are financed on an estimated claim basis with excess contributions transferred to the reserve at the end of the fiscal year.

Grant Programs

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

## 16. COMMITMENTS AND CONTINGENCIES (Continued)

### Third Party Rate Adjustments - Westmount Health Facility

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

Revenue from the Medicare and Medicaid programs accounted for approximately 20% and 50%, respectively, of the Westmount Health Facility's net patient service revenue for the year ended December 31, 2013. 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 2013 net patient service revenue increased approximately \$737,000, as a result of the final settlements in excess of amounts previously estimated.

### Public Health Reimbursement

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

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

### 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 2013 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, 2013, compliance with these laws and regulations is subject to future government review, interpretation or actions which are unknown and unasserted at this time.

### Tobacco Settlement

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

## **17. ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET IMPLEMENTED**

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

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

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

## **18. 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.

**REQUIRED SUPPLEMENTARY INFORMATION**

COUNTY OF WARREN, NEW YORK

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2013

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUE:</b>				
Real property taxes	\$ 29,834,291	\$ 29,834,291	\$ 29,297,916	\$ (536,375)
Real property tax items	1,945,000	1,945,000	2,560,987	615,987
Sales and use tax	49,005,000	49,005,000	54,236,517	5,231,517
Departmental income	12,866,199	12,915,636	12,879,271	(36,365)
Intergovernmental charges	1,364,293	1,367,293	1,045,381	(321,912)
Use of money and property	848,845	848,845	838,140	(10,705)
Licenses and permits	395,000	402,903	496,713	93,810
Fines and forfeitures	324,634	333,274	597,916	264,642
Sale of property and compensation for loss	421,791	429,219	438,423	9,204
Miscellaneous local sources	667,657	672,397	586,765	(85,632)
State aid	13,351,627	14,283,772	11,907,052	(2,376,720)
Federal aid	10,390,285	10,871,280	9,968,581	(902,699)
<b>Total revenue</b>	<b>121,414,622</b>	<b>122,908,910</b>	<b>124,853,662</b>	<b>1,944,752</b>
<b>EXPENDITURES:</b>				
General government support	35,359,782	35,701,610	36,090,273	(388,663)
Education	2,194,538	2,246,538	2,246,427	111
Public safety	23,377,101	25,101,128	24,523,876	577,252
Health	16,202,452	16,814,505	13,973,255	2,841,250
Transportation	884,660	925,438	845,725	79,713
Economic assistance and opportunity	40,215,555	40,392,009	38,874,902	1,517,107
Culture and recreation	1,249,148	1,314,361	1,266,346	48,015
Home and community services	923,374	965,393	950,181	15,212
Employee benefits	131,444	131,615	107,194	24,421
Debt service - principal and interest	740,827	691,698	691,696	2
<b>Total expenditures</b>	<b>121,278,881</b>	<b>124,284,295</b>	<b>119,569,875</b>	<b>4,714,420</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<b>135,741</b>	<b>(1,375,385)</b>	<b>5,283,787</b>	<b>6,659,172</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Interfund transfers in	-	133,068	136,790	3,722
Interfund transfers (out)	(3,326,094)	(3,692,235)	(3,415,969)	276,266
<b>Total other sources (uses)</b>	<b>(3,326,094)</b>	<b>(3,559,167)</b>	<b>(3,279,179)</b>	<b>279,988</b>
<b>EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES, ENCUMBRANCES, AND OTHER FINANCING USES</b>	<b>(3,190,353)</b>	<b>(4,934,552)</b>	<b>2,004,608</b>	<b>6,939,160</b>
<b>FUND BALANCE - beginning of year</b>	<b>20,680,055</b>	<b>20,680,055</b>	<b>20,680,055</b>	<b>-</b>
<b>FUND BALANCE - end of year</b>	<b>\$ 17,489,702</b>	<b>\$ 15,745,503</b>	<b>\$ 22,684,663</b>	<b>\$ 6,939,160</b>

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, 2013**

	<u>Special Grant</u>	<u>County Road</u>	<u>Road Machinery</u>	<u>Sewer</u>	<u>Total Non-Major Governmental Funds</u>
<b>ASSETS:</b>					
Cash	\$ 16,819	\$ 862,473	\$ 726,731	\$ 18,158	\$ 1,624,181
Restricted Cash		247,553	46,556		294,109
Accounts receivable	-	102,500	8,260	2,172	112,932
State and federal receivables	94,332	1,671,553	-	-	1,765,885
Prepaid expenditures	13,852	137,461	46,107	-	197,420
Inventory	-	7,438	211,718	-	219,156
Due from other governments	10	2,690	210,916	-	213,616
Due from other funds	-	44	7,761	-	7,805
	<u>-</u>	<u>44</u>	<u>7,761</u>	<u>-</u>	<u>7,805</u>
<b>TOTAL ASSETS</b>	<u>125,013</u>	<u>3,031,712</u>	<u>1,258,049</u>	<u>20,330</u>	<u>4,435,104</u>
<b>LIABILITIES:</b>					
Accounts payable	17,204	239,053	323,938	-	580,195
Accrued liabilities	16,309	130,925	28,831	-	176,065
Compensated absences	23,749	188,384	51,327		263,460
Due to other governments	33,388	-	835	-	34,223
Unearned revenue	391	-	-	-	391
Due to other funds	33,972	356,104	-	-	390,076
	<u>33,972</u>	<u>356,104</u>	<u>-</u>	<u>-</u>	<u>390,076</u>
<b>TOTAL LIABILITIES</b>	<u>125,013</u>	<u>914,466</u>	<u>404,931</u>	<u>-</u>	<u>1,444,410</u>
<b>FUND BALANCE:</b>					
Nonspendable	13,852	144,899	257,825	-	416,576
Assigned	(13,852)	1,972,347	595,293	20,330	2,574,118
	<u>-</u>	<u>1,972,347</u>	<u>595,293</u>	<u>20,330</u>	<u>2,574,118</u>
<b>TOTAL FUND BALANCE</b>	<u>-</u>	<u>2,117,246</u>	<u>853,118</u>	<u>20,330</u>	<u>2,990,694</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 125,013</u>	<u>\$ 3,031,712</u>	<u>\$ 1,258,049</u>	<u>\$ 20,330</u>	<u>\$ 4,435,104</u>

The accompanying notes are an integral part of this statement.



COUNTY OF WARREN, NEW YORK  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013

	Special Grant	County Road	Road Machinery	Sewer	Total Non-Major Governmental Funds
REVENUE:					
Real property taxes	\$ -	\$ 7,971,384	\$ 1,226,855	\$ 4,364	\$ 9,202,603
Other departmental income	-	-	-	7,678	7,678
Intergovernmental charges	-	44,223	-	-	44,223
Use of money and property	-	14,462	3,295	-	17,757
Sale of property and compensation for loss	-	-	134,992	-	134,992
Miscellaneous local sources	-	-	800	-	800
Interfund revenues	-	28,593	1,532,468	-	1,561,061
State aid	-	1,655,520	-	-	1,655,520
Federal aid	997,025	18,178	10,686	-	1,025,889
Total revenues	997,025	9,732,360	2,909,096	12,042	13,650,523
EXPENDITURES:					
General government support	-	71,546	69,278	-	140,824
Public safety	-	598,428	-	-	598,428
Transportation	-	8,290,971	2,644,970	-	10,935,941
Economic assistance and opportunity	946,823	-	-	-	946,823
Debt Principal	-	382,110	-	-	382,110
Debt Interest	-	17,004	-	-	17,004
Home and community services	50,202	-	-	11,921	62,123
Employee benefits	-	100,240	20,288	-	120,528
Total expenditures	997,025	9,460,299	2,734,536	11,921	13,203,781
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	-	272,061	174,560	121	446,742
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	-	44,016	2,437	-	46,453
Interfund transfer (out)	-	(788,638)	(186,416)	-	(975,054)
	-	(744,622)	(183,979)	-	(928,601)
EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	(472,561)	(9,419)	121	(481,859)
FUND BALANCE - beginning of year	-	2,589,807	862,537	20,209	3,472,553
FUND BALANCE - end of year	\$ -	\$ 2,117,246	\$ 853,118	\$ 20,330	\$ 2,990,694

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 17, 2014

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Warren, New York (County) as of and for the year ended December 31, 2013, 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 17, 2014. Our report includes a reference to other auditors who audited the financial statements of Westmount Health Facility and Warren County Local Development Corporation, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Westmount Health Facility were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

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

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

**Internal Control Over Financial Reporting (Continued)**

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free 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 County'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 County'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 17, 2014

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

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

We have audited the County of Warren, New York's (County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2013. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the County's major programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

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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, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass through/ Contract Number	Federal Expenditures
U.S. Department of Agriculture/ Passed through New York State Department of Health/ Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	C025807	\$ 1,290,383
Passed through New York State Office of Temporary and Disability Assistance/ State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	N/A	597,487
Total U.S. Department of Agriculture			<u>1,887,870</u>
U.S. Department of Housing and Urban Development/ Community Development Block Grant - State's Program	14.228	1197PF42-12	12,956
HOME Investment Partnerships Program	14.239	20073206	37,246
Total U.S. Department of Housing and Urban Development			<u>50,202</u>
U.S. Department of Justice/ State Criminal Alien Assistance Program	16.606	N/A	6,771
Edward Byrne Memorial Justice Assistance Grant Program	16.738	T632617	3,091
Equitable Sharing Program	16.922	N/A	110,345
Passed through New York State Division of Criminal Justice Services/ Law Enforcement Assistance - Narcotics and Dangerous Drugs Training	16.004	N/A	25,148
Total U.S. Department of Justice			<u>145,355</u>
U.S. Department of Labor/ Passed through Saratoga County, New York/ <u>WIA Cluster</u>			
Workforce Investment Act Adult Programs	17.258	N/A	254,768
Workforce Investment Act Youth Activities	17.259	N/A	289,368
Total WIA Cluster			<u>544,136</u>
Workforce Investment Act Dislocated Workers	17.260	N/A	343,532
Total U.S. Department of Labor			<u>887,668</u>
U.S. Department of Transportation/ Airport Improvement Program	20.106	N/A	121,720
Passed through New York State Department of Transportation/ Highway Planning and Construction	20.205	Various	4,688,113
Total U.S. Department of Transportation			<u>4,809,833</u>
U.S. Department of Energy/ Passed through New York State Office for Aging/ Weatherization Assistance for Low-Income Persons	81.042	N/A	13,340
U.S. Department of Education/ Passed through New York State Department of Health/ Special Education - Grants for Infants and Families	84.181	C-027516	212,741
U.S. Department of Health and Human Services/ Passed through New York State Office for Aging: Special Programs for the Aging, Title VII, Chapter 3 - Programs for prevention of elder abuse, neglect, and exploitation	93.041	N/A	10,592
Special Programs for the Aging, Title III, Part D - Disease prevention and health promotion services	93.043	N/A	6,222
<u>Aging Cluster</u> Special Programs for Aging, Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	N/A	100,285
Special Programs for Aging, Title III, Part C - Nutrition service	93.045	N/A	190,862
Nutrition Services Incentive Program	93.053	N/A	99,046
Total Aging Cluster			<u>390,193</u>
National Family Caregiver Support, Title III, Part E	93.052	N/A	46,047
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	N/A	51,662

(Continued)

COUNTY OF WARREN, NEW YORK

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2013**

U.S. Department of Health and Human Services/			
Passed through Health Research Incorporated/			
Public Health Emergency Preparedness	93.069	1628-10	55,482
Passed through New York State Office of Children and Family Services/			
Promoting Safe and Stable Families	93.556	581-A-030	37,843
Temporary Assistance for Needy Families	93.558	N/A	59,155
Temporary Assistance for Needy Families - Summer	93.558	N/A	2,845,684
Stephanie Tubbs Jones Child Welfare Services Program	93.645	N/A	6,338
Foster Care	93.658	N/A	1,433,738
Adoption Assistance	93.659	N/A	6,960
Social Services Block Grant	93.667	N/A	334,420
Passed through New York State Office of Temporary and Disability Assistance:			
Child Support Enforcement	93.563	N/A	343,771
Low-Income Home Energy Assistance	93.568	N/A	3,028,414
Medical Assistance Program	93.778	N/A	1,475,849
Passed through New York State Office of Alcoholism and Substance Abuse Services:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	220,298
Passed through New York State Department of Health/			
Preventive Health and Health Services Block Grant	93.991	C-026544	25,184
Maternal and Child Health Services Block Grant to the States	93.994	C-024650	26,259
Total U.S. Department of Health and Human Services			<u>10,404,111</u>
U.S. Department of Homeland Security/			
Passed through New York State Division of Homeland Security and Emergency Services/			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	N/A	16,687
Emergency Management Performance Grant	97.042	T837325	1,520
Homeland Security Grant Program	97.067	various	151,808
Total U.S. Department of Homeland Security			<u>170,015</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 18,581,135</u>



# COUNTY OF WARREN, NEW YORK

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2013

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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, 2013. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position or cash flows for the County.

### 2. BASIS OF ACCOUNTING

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

### 3. INDIRECT COSTS

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

### 4. MATCHING COSTS

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

### 5. SUB-RECIPIENTS

No amounts were provided to sub-recipients.

### 6. NONCASH AWARDS

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount</u>
U.S. Department of Health and Human Services Low Income Home Energy Assistance Value of NYS Comptroller expenditures	93.568	\$3,028,414

**COUNTY OF WARREN, NEW YORK**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

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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, 2013

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

#### Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?  Yes  No

#### Federal Awards

Internal control over major programs:

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

Type of auditor's report issued on compliance for major programs:  
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, 2013 (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>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
20.205 17.258, 17.259, 17.260	Highway Planning and Construction WIA Cluster

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

\$557,434

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.