

## OFFICIAL STATEMENT

NEW ISSUE: SERIAL BONDS  
BOOK-ENTRY-ONLY

RATINGS: MOODY'S INVESTORS SERVICE – Aaa  
STANDARD & POOR'S – AAA  
(SEE "RATINGS" HEREIN)

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming among other matters, compliance with certain covenants, interest on the Bonds is excludable from gross interest for Federal income tax purposes under section 103 of the Internal Revenue Code of 1986. In further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in the adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Bonds is excludable from adjusted gross income for purposes of personal income taxes imposed by the State of New York and The City of New York. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual of interest on the Bonds. See "Tax Matters" herein.*

*The Bonds will not be designated "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.*

**\$23,000,000**

## COUNTY OF WARREN, NEW YORK

### GENERAL OBLIGATIONS

### **\$23,000,000 PUBLIC IMPROVEMENT (SERIAL) BONDS, 2003**

**Dated: July 15, 2003**

**Due: July 15, as shown below**

<u>Year</u>	<u>Amount</u>	<u>Coupon</u>	<u>Yield</u>	<u>Year</u>	<u>Amount</u>	<u>Coupon</u>	<u>Yield</u>
2004	\$1,150,000	3.250%	1.000%	2014*	\$1,150,000	4.000%	3.840%
2005	1,150,000	3.250	1.300	2015*	1,150,000	4.000	3.960
2006	1,150,000	3.500	1.770	2016*	1,150,000	4.000	4.090
2007	1,150,000	3.500	2.170	2017*	1,150,000	4.000	4.190
2008	1,150,000	4.000	2.530	2018*	1,150,000	4.000	4.290
2009	1,150,000	4.000	2.840	2019*	1,150,000	4.000	4.330
2010	1,150,000	4.000	3.170	2020*	1,150,000	4.000	4.400
2011	1,150,000	4.000	3.400	2021*	1,150,000	4.125	4.450
2012	1,150,000	4.000	3.580	2022*	1,150,000	4.250	4.520
2013	1,150,000	4.000	3.710	2023*	1,150,000	4.250	4.570

\* The Bonds maturing in the years 2014 to 2023 are subject to redemption prior to maturity as described herein.

The Bonds will constitute general obligations of the County of Warren, New York and will contain a pledge of its faith and credit for the punctual payment of the principal of and interest on the Bonds. All taxable real property within the County will be subject to the levy of ad valorem taxes, without limitation as to rate or amount, for purposes of paying the principal of and interest on the Bonds.



**Financial Guaranty Insurance  
Company**

FGIC is a registered service mark used by Financial Guaranty Insurance Company,  
a private company not affiliated with any U.S. Government agency.

Payment of the principal and interest on the Bonds when due will be insured by a municipal bond insurance policy to be issued by Financial Guaranty Insurance Company simultaneously with delivery of the Bonds.

Interest on the Bonds will be payable on January 15, 2004 and semi-annually thereafter on each July 15 and January 15 until maturity. The Bonds are subject to redemption prior to their stated maturity dates as more fully described herein under "Optional Redemption". The Bonds will be issued in registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository. Individual purchases will be made in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. Principal and interest will be paid by the County to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds, as described herein.

The Bonds are offered when, as and if issued and received by the purchaser and subject to the receipt of the unqualified legal opinion as to the validity of the Bonds of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, of New York, New York. It is anticipated that the Bonds will be available for delivery through the facilities of DTC in New York, New York on or about July 24, 2003.

**MERRILL LYNCH & CO., INC.**

**Dated: July 17, 2003**

# **COUNTY OF WARREN, NEW YORK**

## **CHAIRMAN OF THE BOARD OF SUPERVISORS**

William H. Thomas

## **MEMBERS OF THE BOARD OF SUPERVISORS**

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Victor L. Malison  
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Clerk of the Board  
District Attorney  
Coroner  
Sheriff  
County Treasurer  
County Attorney  
County Clerk  
Election Commissioner  
Election Commissioner

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## **BOND COUNSEL**

Orrick, Herrington & Sutcliffe LLP  
New York, New York

## **FINANCIAL ADVISOR**

Environmental Capital LLC  
New York, New York

## **INDEPENDENT AUDITORS**

Dorfman - Robbie  
Albany, New York

No person has been authorized by the County of Warren to give any information or to make any representations not contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information, estimates and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof.

## TABLE OF CONTENTS

	<u>Page</u>
DESCRIPTION OF THE BONDS .....	1
Authorization and Purpose of Issue .....	1
Security and Source of Payment .....	1
Optional Redemption .....	1
Book-Entry-Only System .....	2
The Financial Guaranty Insurance Company Insurance Policy .....	3
THE COUNTY .....	4
General Information .....	4
Form of Government .....	4
Financial Organization .....	5
Economic Development .....	5
Municipal Services .....	6
Employees .....	9
State Aid .....	9
Status and Filing of Employee Pension Benefits .....	10
Population Trends .....	11
Comparative Income Data .....	11
Employment .....	12
Housing .....	13
FINANCIAL INFORMATION .....	14
Budgetary Procedures .....	14
Investment Policy .....	14
Financial Statements .....	14
TAX INFORMATION .....	15
Valuations .....	15
Tax Rates Per \$1,000 Assessed .....	15
Tax Collection Record .....	15
Tax Collection Procedure .....	15
Larger Taxpayers 2003 Assessment Roll .....	16
Constitutional Tax Limit .....	16
STATUS OF COUNTY INDEBTEDNESS .....	16
Constitutional Requirements .....	16
Statutory Procedure .....	17
Debt Outstanding End of Fiscal Year (December 31) .....	17
Details of Outstanding Indebtedness .....	17
Constitutional Debt Limit .....	17
Capital Projects Financings .....	18
Capital Projects Planning .....	18
Bond Principal and Interest .....	19
Estimated Underlying Indebtedness .....	19
Debt Ratios .....	19
SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT .....	19
MARKET AND RISK FACTORS .....	20
LITIGATION .....	20
TAX MATTERS .....	20
LEGAL MATTERS .....	21
CONTINUING DISCLOSURE UNDERTAKING .....	21
RATING .....	22
ADDITIONAL INFORMATION .....	22
REVENUES, EXPENDITURES AND FUND BALANCES – GENERAL FUND .....	APPENDIX A
BUDGET RESULTS – GENERAL FUND .....	APPENDIX A-1
BALANCE SHEETS – GENERAL FUND .....	APPENDIX A-2
CHANGES IN FUND BALANCES .....	APPENDIX A-3
AUDITED FINANCIAL STATEMENT DECEMBER 31, 2001 .....	APPENDIX B
FORM OF BOND COUNSEL’S OPINION .....	APPENDIX C
FORM OF MUNICIPAL BOND INSURANCE POLICY .....	APPENDIX D

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**OFFICIAL STATEMENT**  
**of the**  
**COUNTY OF WARREN, NEW YORK**

**Relating to**  
**\$23,000,000 Public Improvement (Serial) Bond, 2003**

This Official Statement, which includes the cover page and appendices, has been prepared by the County of Warren (the "County") of the State of New York (the "State"), and provides certain information relating to the County in connection with the issuance and sale of \$23,000,000 Public Improvement (Serial) Bonds, 2003 (herein referred to as the "Bonds").

All quotations from and summaries of and explanations of provisions of the Constitution and laws of the State and acts and proceedings of the County contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof, and all references to the Bonds and the proceedings of the County relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and such proceedings.

This Official Statement does not include the financial data of any political subdivision having power to levy taxes within the County. This Official Statement should be read in its entirety.

**DESCRIPTION OF THE BONDS**

The Bonds will be dated July 15, 2003. Interest on the Bonds will be payable on January 15, 2004 and semi-annually thereafter on July 15 and January 15 in each year to maturity. The Bonds will mature in the principal amounts on July 15 in each of the years. The Bonds will be issued in book-entry-only form, and will be registered in the name of Cede & Co., as the nominee for the Depository Trust Company ("DTC"). See "Book-Entry-Only System" herein. Purchasers will not receive physical certificates representing their ownership interests in the Bonds. The record date for the Bonds will be the fifteenth day of the month preceding each interest payment date. The bonds are subject to redemption prior to their stated maturity dates as more fully described herein under "Optional Redemption."

**Authorization and Purpose of Issue**

The Bonds are issued pursuant to applicable provisions of the Constitution and laws of the State, including the Local Finance Law and County Law, as well a bond resolution adopted by the County Board of Supervisors and other proceedings and determinations relating thereto.

Proceeds of the Bonds will provide moneys towards the construction of a new County jail/ public safety facility.

**Security and Source of Payment**

Each Bond when duly issued and paid for will constitute a contract between the County and the holder thereof.

The Bonds will be general obligations of the County and will contain a pledge of the faith and credit of the County for the payment of the principal of and interest on the Bonds as required by the Constitution and the laws of the State. For payment of such principal and interest, the County has the power and statutory authorization to levy ad valorem taxes on all taxable property within the County without limitation as to rate or amount and the State Legislature is specifically precluded from restricting the power of the County to levy taxes on real estate for such purposes. See "Special Provisions Affecting Remedies Upon Default" herein.

No interest on any prior obligation is past due.

**Optional Redemption**

The Bonds maturing on or before July 15, 2013 shall not be subject to redemption prior to maturity. The Bonds maturing on or after July 15, 2014 shall be subject to redemption prior to maturity as a whole or in part (and by lot if less than all of a maturity is to be redeemed) at the option of the County on July 15, 2013 or on any other date thereafter at redemption prices, expressed as a percentage of the par amount of the Bonds as follows:

<u>Redemption Dates</u>	<u>Redemption Price (as a Percentage of Par Amount)</u>
July 15, 2013 and thereafter	100%

If less than all of the Bonds on any maturity are to be redeemed, the particular bonds of such maturity to be redeemed shall be selected by the County in any customary manner of selection as determined by the County Treasurer. Notice of such call for redemption shall be given by mailing such notice to the registered holders not more than sixty (60) days nor less than thirty (30) days prior to such date. Notice of redemption having been given as aforesaid, the Bonds so called for redemption shall, on the date for redemption set forth in such call for redemption, become due and payable, together with interest to such redemption date, and interest shall cease to be paid thereon after such redemption date.

### **Book-Entry-Only System**

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds (the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmation providing details of transaction, as well as periodic statements of their holdings, from the Direct and Indirect Participant through which the Beneficial Owner entered into the transactions. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co.. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issued to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the County, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the County. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

Source: The Depository Trust Company, New York, New York

THE COUNTY WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO: (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANT OR ANY INDIRECT PARTICIPANT; (II) THE PAYMENTS BY DTC OR ANY PARTICIPANT OR DIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON THE BONDS; (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS; (IV) THE SELECTION BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE A PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; OR (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

#### **The Financial Guaranty Insurance Company Insurance Policy**

Concurrently with the issuance of the Bonds, Financial Guaranty Insurance Company ("Financial Guaranty") will issue its Municipal Bond New Issue Insurance Policy (the "Policy") for the Bonds described in the Policy (as used under the heading, the "Bonds"). The Policy unconditionally guarantees the payment of that portion of the principal or accreted value (if applicable) of and interest on the Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the issuer of the Bonds (the "Issuer"). Financial Guaranty will make such payments to U.S. Bank Trust National Association, or its successor as its agent (the "Fiscal Agent"), on the later of the date on which such principal or accreted value (if applicable) and interest is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an owner of Bonds or the Paying Agent of the nonpayment of such amount by the Issuer. The Fiscal Agent will disburse such amount due on any Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal, accreted value or interest (as applicable) due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal, accreted value or interest (as applicable) shall be vested in Financial Guaranty. The term "nonpayment" in respect of a Bond includes any payment of principal, accreted value or interest (as applicable) made to an owner of a Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

The Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Bonds. The Policy covers failure to pay principal or accreted value (if applicable) of the Bonds on their respective stated maturity dates or dates on which the same shall have been duly called for mandatory sinking fund redemption, and not on any other date on which the Bonds may have been otherwise called for redemption, accelerated or advanced in maturity, and covers the failure to pay an installment of interest on the stated date for its payment.

This Official Statement contains a section regarding the ratings assigned to the Bonds and reference should be made to such section for a discussion of such ratings and the basis for their assignment to the Bonds. Reference should be made to the description of the County for a discussion of the ratings, if any, assigned to such entity's outstanding parity debt that is not secured by credit enhancement.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Guaranty is a wholly-owned subsidiary of FGIC Corporation (the "Corporation"), a Delaware holding company. The Corporation is a subsidiary of General Electric Capital Corporation ("GE Capital"). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is a monoline financial guaranty insurer domiciled in the State of New York and subject to regulation by the State of New York Insurance Department. As of March 31, 2003, the total capital and surplus of Financial Guaranty was approximately \$1.028 billion. Financial Guaranty prepares financial statements on the basis of both statutory accounting principles and generally accepted accounting principles. Copies of such financial statements may be obtained by writing to Financial Guaranty at 125 Park Avenue, New York, New York 10017, Attention: Communications Department (telephone number: 212-312-3000) or to the New York State Insurance Department at 25 Beaver Street, New York, New York 10004-2319, Attention: Financial Condition Property/Casualty Bureau (telephone number: 212-480-5187).

## **THE COUNTY**

### **General Information**

The County of Warren in the State of New York, named after Revolutionary War hero General Joseph Warren, was officially established on March 12, 1813 when it was split off from the County of Washington. The County encompasses 883 square miles, and according to the 2000 Census, has a population of 63,303. The County is located two hundred miles north of the City of New York. The County is bounded by the County of Essex to the north, the County of Saratoga to the south, the County of Washington to the east, and the County of Hamilton to the west.

The County's employment base is quite diverse. A large portion of the County's workforce is employed in the education, service, and health industries. Data compiled by the U.S. Bureau of the Census in 2000 indicates that the education, service, and health industry accounted for 23% of employment in the area. In 1999, there were 2,313 private non-farm establishments within the County, the largest employer being Glens Falls Hospital, which employs more than 2,400 workers.

Agriculture continues to play an important role in the economy of the County. According to information provided by the U.S. Department of Agriculture, the amount of land in farms increased 58% from 5,811 acres in 1992 to 9,187 in 1997, and the market value for agricultural products sold was \$2,180,000. The County's top agricultural commodities include nursery and greenhouse crops, dairy products, cattle and calves, hay, silage, field seeds and grass seeds, and milk goats and goat's milk. The County's urban area is centered around the city of Glens Falls, where a variety of industrial, commercial, and cultural activities can be found.

The County also attracts many visitors each year who travel to the area for its natural scenery. Situated in the middle of the Adirondack Mountains, the County offers tourists numerous lakes, ponds, hiking trails and campgrounds. In particular, the town of Queensbury boasts many town parks, while the town of Lake George is home to one of the cleanest bodies of water in the U.S.

### **Form of Government**

A twenty member Board of Supervisors that represents each of the eleven Towns and the City of Glens Falls (the "City") governs Warren County, possessing both legislative and executive powers. The members are assigned weighted voting powers based on population in each respective election district. Each member of the Board is elected bi-annually. The Town of Queensbury and the City each have five representatives on the Board. The Chairman of the Board, a role currently being served by William Thomas, is the chief elected official of the County. The Chairman is elected annually.

The County Treasurer, County Clerk, District Attorney, Coroner, and Sheriff, are also elected officers.

### **Financial Organization**

The County Board of Supervisors meets at both regular and special meetings throughout the year. The County Board of Supervisors reviews and adopts the annual County budget, levies taxes, reviews and approves any modifications to the budget,



and authorizes the incurrence of all indebtedness of the County. The County Treasurer is the Chief Fiscal Officer of the County, whose duty it is to receive, disburse, and account for all financial transactions.

## **Economic Development**

The Warren County Economic Development Corporation (“WCEDC”) is a private, not-for-profit organization governed by an independent board of directors. The Corporation’s mission is to improve the quality of life of the County’s residents by helping business and industry grow and prosper.

The Warren County EDC holds a contract for services with Warren County to perform the following services:

1. Support existing companies through technical and regulatory assistance and act as a liaison between business and government;
2. Coordinate incentive programs that include worker training, the Empire Zone and the foreign trade zone, and market the region to attract new and expanding business;
3. Offer site selection assistance to interested businesses through an inventory of available buildings and sites, and consult with companies to assist with financial proposals and development projects;
4. Sponsor workshops and seminars for local businesses and assist businesses in applying for State and Federal funding for economic projects in Warren County.

WCEDC has an aggressive economic development agenda that has two primary goals. First, revitalization and continued growth of the County’s urban center – the City of Glens Falls and the Town of Queensbury. Second, development of the tourism industry in the County’s Adirondack Park region into four-season destination tourism.

WCEDC seeks to achieve these goals through the following means:

1. WCEDC has created a business outreach program. In the last year, WCEDC has called on over 50 local businesses to address their expansion plans as well as their concerns. It has been proven that it is easier to help an existing business to expand and create new and better opportunities than to attract an entirely new business. Through the outreach program WCEDC worked with the following companies:
  - a. Angio Dyanmics Inc. – Medical Device Manufacturer – 241 new jobs. Retained 219 existing jobs. 460 total employees.
  - b. Ames Electro Materials – Contact Tape Manufacturer – 60 new jobs.
  - c. Barton Mines -- Industrial Abrasives Manufacturer -- 24 new jobs. Retained 66 existing jobs. 90 total employees.
  - d. CR Bard – Medical Device Manufacturer – 109 new jobs. Retained 585 existing jobs. 694 total employees.
  - e. The Great Escape – Theme Park – 60 new jobs. Retained 360 existing jobs. 420 total employees.
  - f. Lake George Forum – Trade Show Center – 10 new jobs.
  - g. NEBCO – Animal Bedding Manufacturer – six new jobs. Retained 18 existing jobs. 24 total employees.
  - h. Seeley Machine – Machine Tool Manufacturer – 44 new jobs. Retained 22 existing jobs. 66 total employees.
2. WCEDC applied for and received Empire Zone Designation. The State Economic Development tool allows WCEDC to manage a tax incentives program for expanding and relocating businesses in Warren County.
3. WCEDC has inventoried all available industrial and commercial property in Warren County. All of the available property has been added to the WCEDC web site as well as the State of New York’s site finder. Any company wishing to relocate to Warren County will have a listing of sites at their fingertips.
4. WCEDC travels to numerous industry trade shows and industry events annually to promote the County and its business-friendly environment. The three primary industries in Warren County are medical device manufacturing, tourism and professional services. The Corporation attends trade events for all three industries.
5. WCEDC has prioritized infrastructure projects for future development needs in Warren County. The Corporation is currently a partner to the following infrastructure projects:
  - Exit 18 redevelopment
  - Northway Business Park
  - Queensbury Industrial Park

- Warren County Airport Industrial Park
- Queensbury Sewer District
- Town of Johnsbury Sewer Feasibility Study

In partnering with these projects the WCEDC assists in seeking Federal and State funding and promoting the project overall.

## **Municipal Services**

The County provides a full range of services typical of county governments in New York State, which include higher education (Adirondack Community College), health, aging, youth, and mental health services, and job training. The County also maintains a highway department and road network, Sheriff's road patrols, and a jail facility.

With the exception of the City of Glens Falls and the Town of Bolton, all communities in the County have merged their police forces with the County Sheriff. This has proven to be a cost-effective means for smaller communities to have local police services, while taking advantage of the resources available in larger agencies. In some cases, such as the Village of Lake George and the Town of Queensbury, municipalities have elected to contract additional law enforcement services from the Sheriff's Department beyond those already provided.

## Community College

The County provides access to higher education via Adirondack Community College ("ACC"), a public, two-year, co-educational institution located in the town of Queensbury. Sponsored by Warren and Washington Counties, ACC is part of the State University of New York system, and is governed by local and state trustees.

Founded in 1961, the ACC campus occupies 141 acres at the foothills of the Adirondack Mountains. According to data collected for the 2002-2003 school year, there were 2,551 full-time students and 2,049 part-time students attending classes. ACC employs 101 full-time faculty members and 135 part-time instructors, creating a student-to-faculty ratio of 17:1. Students are also provided with a variety of services outside of the classroom, such as career planning and job placement, childcare, and educational and personal counseling. Additionally, there are twenty-five different academic and special interest organizations in which students can elect to participate.

While tuition for in-state full-time students is approximately \$2,470 per year, 60% of full-time students receive financial aid. This aid comes in the form of federal grants, state and local scholarships and grants, institutional scholarships, and loans.

ACC awards A.A., A.S., and A.A.S degrees in over thirty subjects, and offers nine certificate programs. It is accredited by the Middle States Association of Colleges and Secondary Schools.

## Solid Waste

The County shares a solid waste facility with the neighboring County of Washington (together with Warren County, the "Counties"). This facility, called the Adirondack Resource Recovery Facility (the "Facility"), is a solid waste incinerator with a capacity of 400 tons per day. Located in the Village of Hudson Falls in Washington County, it commenced start up processing in 1991. The Counties of Warren and Washington Industrial Development Agency (the "Agency") issued \$86.6 million of Industrial Development Bonds to finance the construction of the Facility. The Agency holds nominal title to the facility, which is operated by a private firm, Adirondack Resource Recovery Associates. This firm is indirectly controlled by the Foster Wheeler Corporation. The project is a public-private partnership in which the local governments ensure that the privately operated facility receives sufficient revenue to meet its operating expenses in exchange for the right to dispose of the local communities' solid waste at the facility.

As a result of a number of factors, principally the loss of flow control resulting from the decision of the U.S. Supreme Court in the case of *C.A. Carbone vs. the Town of Charlestown*, the solid waste facility has not generated sufficient revenues to pay all of its operating costs and expenses, including debt service and the two Counties have paid a service fee to make up the shortfall in revenues of the solid waste facility. The two Counties pay the service fee for the operation of the plant in proportion to their deliveries of the solid waste to the plant, which has been approximately 67% for Warren County and 33% for Washington County. The following table describes the service fees paid recently:

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Total Service Fees (\$000)	6,210	7,588	5,902	4,745
Warren County Payment (\$000)	4,135	4,709	3,902	3,110

The two Counties have been negotiating to transfer the ownership of the facility to the Agency and to replace the Foster Wheeler Corporation with Wheelabrator Technologies, Inc., as operator of the facility. The two Counties anticipate realizing a number of operational and financial benefits as a result. The principal financial benefit would be the opportunity to refund the existing facility debt issued by the I.D.A. in 1989 and 1991. The two Counties anticipate substantial annual reductions in their respective service fee payments; however, no assurances can be given that the negotiations will be successful and that the proposed refinancing will occur or result in significant savings.

## Transportation

### *Highway*

The County is served by an excellent highway system, which promotes commerce and facilitates the movement of goods. Because the County is located equidistant to New York City, Montreal, and Boston, products manufactured in the County are within a day's delivery to 52% of the combined U.S. – Canadian population. Interstate 87 is a six lane expressway that services areas between Warren County and the Canadian Border. This area is part of the Champlain-Hudson Gateway and Trade Corridor, which is one of five officially recognized cross-border economic regions evolving along the north-south transportation systems linking the U.S. and Canada. The core zone from Montreal to Albany has seen substantial new commerce and economic activity, with north-south trade along the Corridor almost doubling each year.

Six major motor carriers service the County area.

### *Rail*

Main line service is available via the D&H Railroad, a wholly owned subsidiary of the Canadian Pacific Railroad. Canadian Pacific and CSX have major classification yards in proximity to the Port of Albany, assuring adequate car supply and timely service. Canadian Pacific also has dockside rail access with no intermediate transshipment at the Ports of Montreal and New York.

Amtrak's Adirondack line that runs from New York City to Montreal services the City of Glens Falls at the Fort Edward/ Glens Falls station located in the neighboring town of Fort Edward.

### *Water*

The County is 42 miles away from the Port of Albany, 175 miles away from the Port of Montreal (the second busiest port in North America), and 200 miles away from the Port of New York (the busiest port in North America).

### *Air*

Commercial airline service is available nearby at Albany International Airport, which has approximately 125 scheduled flights per day. Major carriers include American Airlines, Continental Express, Delta Airline/ Express, Northwest Airlines, Southwest Airlines, United Airlines, and U.S. Airways.

Floyd Bennett Memorial Airport (Warren County Airport) is a newly remodeled and enhanced facility that is owned, operated, and maintained by the Warren County Department of Public Works. There are two runways of 4,000 and 5,000 feet, five taxiways, a large corporate apron, a parking apron for 25 transient aircrafts, and an apron with room for 33 additional planes. The airport can accommodate the most modern corporate aircraft. Empire East Aviation, Inc., is the fixed base operator, offering flight lessons, scenic rides, charters, fuel and aircraft maintenance.

## Education

Primary and secondary education is the responsibility of the public school districts located in the cities of Bolton Landing, Glens Falls, Lake Luzerne, North Creek, Lake George, Pottersville, Queensbury, and Warrensburg. Higher education is available at the State University of New York Adirondack Community College located in the city of Queensbury (see "The County" herein), awarding associate degrees in a number of fields. The College also offers distance learning by providing students with courses via the Internet.

## Recreation and Culture

The County offers a variety of recreational and cultural activities to its residents and visitors. An extensive network of State, County, and municipal parks provide an array of outdoor activities, such as biking, boating, hiking, golfing, fishing, skiing, and snowboarding.

The Lake George Region, named one of the "eight best family travel spots in the country" according to the Wall Street Journal's July 1999 Smart Money Magazine, provides attractions for individuals with diverse interests. Known as "The Queen of the American Lakes," its water is so clean it can be used for drinking water. Lake George is approximately 32 miles long and is nearly 3 miles wide. In addition to the area's beauty that can be seen via land, water, and air, visitors can enjoy art and history museums, amusement parks, as well as sporting activities such as horseback riding, kayaking, and baseball. Patrons of the Adirondack Museum, called the "best of its kind in the world" by the New York Times, can learn about the history of the area from twenty buildings of exhibits and programs that tell stories of the Adirondacks from the mid 1800s to the present.

The County has numerous museums dedicated to preserving the history of the area. The Chapman Historic Museum, dedicated to the history of Glens Falls, Queensbury, and the Southern Adirondacks, consists of the restored Victorian home of the DeLong family, a changing exhibition gallery, and a research archive. Visitors to the Fort William Henry Museum can relive the battles fought on its grounds. In addition to history museums, the County has museums dedicated to family entertainment, such as the House of Frankenstein Wax Museum, the Lake George Antique Boat and Auto Museum, and the Marcella Sembrich Opera Museum.

Numerous art galleries can be found throughout the County. The Blackburn Museum features works by local artist Loren Blackburn, whose watercolors capture rural life, architecture and landscapes of New England and Northern New York State. The Hyde Collection Art Museum portrays the result of 50 years of avid and highly informed art collecting during the first half of the twentieth century by Louis and Charlotte Hyde. In addition, the Lower Adirondack Regional Arts Council, an arts service organization for Warren, Washington and northern Saratoga Counties, was formed to unify the arts and cultural community and establish a cultural identity.

In addition, the residents of the County have available for their use many public parks maintained by the County and other government entities.

#### Medical

County residents are provided with a wide range of inpatient and outpatient medical services through Glens Falls Hospital, which is the sole, comprehensive, acute care community hospital in the area. Glens Falls Hospital provides a comprehensive continuum of services, which includes medicine/surgery, intensive care, coronary care, obstetrics, gynecology, pediatrics, ambulatory surgery, emergency care, cardiac catheterization, an integrated cancer treatment program, a chronic dialysis maintenance and training program, primary care, home infusion services, and a continuum of behavioral health services.

In addition, the Warren County Health Services group was organized to promote physical and mental health and prevent disease, injury, and disability. Programs administered by the group include an immunization clinic, a sexually transmitted diseases clinic, childbirth classes, as well as certified home health care agencies.

AIM Services is a residential facility for the disabled that services Saratoga, Warren and Washington Counties. Senior citizens can find care through the Glen at Hiland Meadows, a full-service senior retirement community in Warren County and the Adirondacks area created through a joint venture of the Glens Falls Home and the Eddy, two leading providers of senior care services in the region. There are also four state-run adult care facilities in the County.

## Financial Institutions

There are several financial and investment advisory companies and savings banks present in the County. The following is a list of the financial institutions that service the community:

### Financial and Investment Advisory

Adirondack Mortgage Service  
American Express Financial Advisors  
Edward Jones Investments  
Equitable and AXA Advisors  
Ewealth  
Financial 2000  
H&R Block  
Kensington Management  
L.P.L. Financial Services  
North American Mortgage Company  
North-East Life & Annuity Brokerage Company  
Northgate Funding  
Sagemark Consulting  
Salomon Smith Barney  
The Legend Group  
Waddell & Reed Financial Planning

### Savings Banks

Adirondack Trust Company  
Beneficial of New York, Inc.  
Charter One Bank  
Evergreen Bank  
Fleet Bank of New York  
Glens Falls National Bank & Trust Company  
Hudson River Credit Union  
Key Bank  
NMP Northern Area Federal Credit Union  
TCT Federal Credit Union  
Troy Savings Bank

## Utilities

The Niagara Mohawk Power Corporation services the entire County's electricity needs, and provides natural gas to Glens Falls and Queensbury.

Residents of the County also have access to telecommunication services. There are many T1 and T3 customers located in Glens Falls, Queensbury, and Warrensburg who are serviced by Verizon. AT&T has a presence in Glens Falls, while PacTec Communications installed a switch in Glens Falls and offers voice, data and Internet services. Time Warner offers cable modem Internet services in Glens Falls and four other towns in the County.

## Communications

The County is served by Albany newspapers, radio and television stations. In addition, the County has a local daily newspaper, The Glens Falls Post-Star, and a weekly publication, The Chronicle, as well as local radio and television station.

## **Employees**

The County employs approximately 916 employees to provide services to its citizens. Employees, other than management and certain professional positions, are represented by three major labor organizations recognized by the County and certified by the State Public Employees Relations Board under the provisions of the State's Taylor Law. The principal union of County employees is the Warren County Local Civil Service Employees Association ("CSEA"), inc., Local #1000, American Federation of State, County, and Municipal Employees, AFL-CIO (A.F.S.C.M.E), representing 483 employees. The CSEA's contract expired on December 31, 2002 and is currently under negotiation. The Police Benevolent Association has 62 members and its contract expires on December 31, 2004. The Sheriff's Employees' Alliance has 58 members and its contract expires on December 31, 2004.

## **State Aid**

The County receives financial assistance from the State. In its General Fund budget for the 2003 fiscal year, approximately 23.85% of the revenues of the County are estimated to be received in the form of State aid. If the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the County, in any year, the County may be affected by a delay in the receipt of State aid until sufficient State taxes have been received by the State to make State aid payments. Additionally, if the State should not adopt its budget in a timely manner, as is the case this year, municipalities and school districts in the State, including the County, may be affected by a delay in the payment of State aid.

The State is not constitutionally obligated to maintain or continue State aid to the County. No assurance can be given that present State aid levels will be maintained in the future. State budgetary restrictions that eliminate or substantially reduce State aid could have a material adverse effect upon the County requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures.

#### **Status and Financing of Employee Pension Benefits**

Substantially all employees of the County eligible for pension or retirement benefits under the Retirement and Social Security Law of the State of New York are members of the New York State and Local Employees' Retirement System ("ERS") and Police and Fire Retirement System ("PFRS"). This is a cost sharing, multiple public employers' system. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law ("NYSRSSL"). ERS offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after five years of credited service. The system is non-contributory with respect to members hired prior to July 27, 1976. All members hired on or after July 27, 1976 and working less than ten years must contribute 3% of gross annual salary toward the cost of retirement programs.

Pursuant to Chapter 62 of the Laws of 1989, the County's liability to the Retirement System is accounted for according to generally accepted accounting principles (GAAP). Bills are sent November 15 each year for payment to be made the following December 15. The December 15 payment covers the twelve-month period from the previous April 1 through to the following March 31. Because of varying fiscal years among municipalities within the State, New York State have based its annual bill on the twelve-month period ending March 31 of the same calendar year, which gave municipalities sufficient notice to budget for these payments.

The County's contributions to the ERS and PFRS since 1995 and the 2003 budgeted payment are as follows:

<u>Year</u>	<u>Amount</u>
1995	43,507
1996	240,569
1997	257,698
1998	461,054
1999	304,894
2000	551,635
2001	392,901
2002	652,975
2003 (budgeted)	1,676,631

The County budgeted its 2003 contribution at \$1,676,631; however, current estimates anticipate a \$1,351,106 bill. To offset the financial markets earnings shortfall, projections for the 2004 pension bill is 4.5% of salaries or \$1,434,733.

The County is required to make a minimum contribution of 4.5% of payroll every year, including years in which the investment performance of the fund would make a lower contribution possible. The December 2003 bill will be 4.5% of payroll. For the December 2004 bill, it is estimated that the contribution will be 11% of payroll. The legislation further authorizes that the amount of the payment in excess of 7% of payroll be allowed to be amortized over a period of five years. This amortization may be made with the State Comptroller and the County would pay 8% interest on any amortized amounts, or the County could issue general obligation bonds, the interest on which would be taxable for federal income tax purposes.

While the County is aware of the potential negative impact on their budget and will take the appropriate steps to budget accordingly for the increase, there can be no assurance that their financial position will be negatively impacted.

## Population Trends

Year	<u>Warren County</u>	<u>State</u>	<u>United States</u>
1960	44,002	16,782,304	179,323,175
1970	49,402	18,236,967	203,211,926
1980	54,854	17,558,072	226,545,805
1990	59,209	17,990,455	248,709,873
2000	63,303	18,976,457	282,124,631

Source: U.S. Bureau of the Census

## Comparative Income Data

### PER CAPITA PERSONAL INCOME

	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>Percent Change</u> <u>1980-1990</u>	<u>Percent Change</u> <u>1990-2000</u>
County	\$8,615	\$18,450	\$26,971	114.16%	46.18%
State	\$11,095	\$23,315	\$34,689	109.93%	48.93%
United States	\$10,183	\$19,572	\$29,469	92.20%	50.57%

Source: Bureau of Economic Analysis

### MEDIAN FAMILY INCOME

	<u>Median</u> <u>Income</u>	<u>Under</u> <u>\$25,000</u>	<u>\$25,000</u> <u>-49,999</u>	<u>\$50,000</u> <u>-74,999</u>	<u>\$75,000</u> <u>-99,999</u>	<u>\$100,000</u> <u>or More</u>
County	\$46,793	20.20%	34.10%	24.10%	10.50%	11.00%
State	\$51,691	22.20%	25.90%	20.50%	12.70%	18.70%
United States	\$50,046	20.80%	29.10%	22.30%	12.50%	15.20%

Source: U.S. Bureau of the Census

### EARNINGS FOR COUNTY RESIDENTS BY MAJOR SOURCES

	<u>1995</u>		<u>2000</u>		
<u>Source</u>	<u>Amount (\$000)</u>	<u>%</u>	<u>Amount (\$000)</u>	<u>%</u>	<u>% Change</u>
Farm	456	0.04	458	0.04	0.44
Agriculture and Mining	7,854	0.76	12,557	1.00	59.88
Construction	76,039	7.32	75,810	6.06	-0.30
Manufacturing	192,315	18.52	195,310	15.61	1.56
Transportation and public utilities	48,604	4.68	62,069	4.96	27.70
Wholesale trade	31,775	3.06	36,057	2.88	13.48
Retail trade	130,406	12.56	150,159	12.01	15.15
Finance, insurance, and real estate	56,255	5.42	93,167	7.45	65.62
Services	353,762	34.08	459,597	36.74	29.92
Government and government enterprises	<u>140,675</u>	<u>13.55</u>	<u>165,615</u>	<u>13.24</u>	<u>17.73</u>
Total	1,038,141	100.00	1,250,799	100.00	20.48

Source: U.S. Department of Commerce, Bureau of Economic Analysis

## Employment

### LARGEST NON-GOVERNMENTAL EMPLOYERS

<u>Name of Employer</u>	<u>Nature of Business</u>	<u>Number of Employees</u>
Glens Falls Hospital	Health Care	2,411
Finch, Pruyn & Co., Inc.	Pulp & Paper	745
Boston Scientific Namic Tech. Center	Medical Device	675
C.R. Bard, Inc.	Medical Device	610
The Sagamore	Full-Service Resort	500
Travelers Property & Casualty	Personal Lines Service	450
Tribune Media Services/ TV Data	Entertainment Products	400
Glens Falls National Bank & Trust	Financial Services	369
SCA Tissue North America	Recycled Paper Products	360
CWI	Human Services	346
Warren/ Washington ARC	Human Services	306
Evergreen Bank, N.A.	Financial Services	295
Walmart	Discount Retail Store	275
Super K-Mart Center	Grocery & Discount Store	219
Niagara Mohawk, a National Grid Company	Electric & Natural Gas	214
Native Textiles	Tricot Mfg.	210
Eden Park Health Care Center	Health Care	180
The Post Star	Daily Newspaper	160
Pactiv Corporation	Protective Packaging Material	155
Lowe's Home Center, Inc.	Building Materials/Home Center	150
Glens Falls Lehigh Cement Company	Cement Mfg.	130

### EMPLOYED CIVILIAN LABOR FORCE

	<u>1990</u>	<u>2000</u>	<u>March 2003</u>	<u>% Change 1990-2000</u>	<u>% Change 2000-2003</u>
County	29,300	30,300	29,400	3.41%	-2.97%
State	8,375,000	8,776,000	8,702,000	4.8%	-0.84%

Source: New York State Department of Labor

### UNEMPLOYMENT RATE STATISTICS

#### Yearly Average

	<u>1998 Average</u>	<u>1999 Average</u>	<u>2000 Average</u>	<u>2001 Average</u>	<u>2002 Average</u>
Warren County	6.20%	6.00%	5.00%	4.70%	5.30%
New York State	5.60%	5.20%	4.60%	4.90%	6.10%
United States	4.50%	4.20%	4.00%	4.80%	5.80%

#### County Monthly Figures

<u>Year</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
2003	7.50%	7.00%	6.40%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2002	7.80%	7.80%	7.20%	5.80%	4.30%	3.80%	3.50%	3.20%	3.80%	3.90%	6.20%	6.70%
2001	6.70%	6.80%	6.10%	5.10%	3.40%	2.80%	2.70%	3.10%	3.60%	4.00%	5.90%	6.90%
2000	7.60%	7.80%	7.20%	5.60%	3.90%	3.30%	3.00%	2.90%	3.50%	3.90%	5.80%	5.50%
1999	8.40%	8.80%	8.80%	7.30%	5.60%	4.30%	3.90%	3.50%	3.90%	4.60%	6.40%	6.70%
1998	9.80%	9.30%	9.20%	7.00%	5.30%	4.40%	3.50%	3.50%	3.90%	5.10%	7.20%	7.20%

Source: Department of Labor, State of New York



# EMPLOYMENT BY JOB CLASSIFICATION – EMPLOYED WORKERS AGE 16 AND OVER

<u>Occupations</u>	<u>1990</u>		<u>2000</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Management, Professional, and Related Service	7,451	27.2%	9,657	32.1%
Sales and Office	4,233	15.5%	5,265	17.5%
Farming, Fishing, and Forestry	8,063	29.4%	8,288	27.6%
Construction, Extraction, and Maintenance	304	1.1%	150	0.5%
Production, Transportation, and Material Moving	3,250	11.9%	2,890	9.6%
	4,079	14.9%	3,821	12.7%

Source: U.S. Department of the Census

## EMPLOYMENT IN NON-FARM ESTABLISHMENTS BY INDUSTRY – AVERAGE (IN THOUSANDS)<sup>1</sup>

<u>Industry</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>March 2003</u>
Natural Resources, Mining and Construction	2.1	2.2	2.2	2.0	1.8
Manufacturing	7.6	7.6	7.2	6.9	6.9
Service-Providing					
Trade, Transportation, and Utilities	9.3	9.3	9.2	9.2	8.6
Information	1.3	1.3	1.3	1.1	1.0
Financial Activities	2.3	2.3	2.1	2.1	2.0
Professional and Business Services	2.5	2.5	2.7	2.9	3.0
Educational and Health Services	6.9	7.2	7.2	7.1	7.7
Health Care and Social Assistance	6.6	6.8	6.9	6.7	7.1
Leisure and Hospitality	7.1	7.0	6.9	6.9	4.9
Other Services	1.5	1.6	1.7	1.7	1.7
Government	10.1	10.4	10.5	10.6	10.7

<sup>1</sup>Data is for the Glens Falls Metropolitan Statistical Area, which includes Warren and Washington Counties.

Source: New York State Department of Labor

## Housing

### HOUSING STOCK

	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>Change</u> <u>1980-90</u>	<u>Change</u> <u>1990-2000</u>
County	26,825	31,737	34,852	18.3%	9.82%
State	6,867,674	7,226,891	7,679,307	5.23%	6.26%

Source: U.S. Department of the Census

### MEDIAN HOUSING VALUES AND RENT

	<u>County</u>	<u>State</u>
Median Value- Owner Occupied Units	\$97,500	\$148,000
Median Value- Renter Occupied Units	\$557	\$672
Occupancy Status:		
Owner Occupied	69.80%	53.00%
Renter Occupied	30.20%	47.00%

Source: U.S. Department of the Census (Year 2000)

## **FINANCIAL INFORMATION**

### **Budgetary Procedure**

During July of each year budget request forms are sent to department heads, who must return them by September. On or before November 1, the Budget Officer files the Tentative Budget with the Clerk of the Board of Supervisors. In the third week of November, the Board of Supervisors reviews and may revise the Tentative Budget. A public hearing is held in the third week of November, and the Board of Supervisors adopts the budget by the third week of November. The budget is not subject to referendum. The fiscal year of the County is the calendar year.

### **Investment Policy**

Pursuant to the statutes of the State of New York, the County is permitted to invest only in the following investments: (1) special time deposits accounts in or certificates of deposit issued by a bank or trust company located and authorized to do business in the State of New York; (2) obligations of the United States of America; (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America; (4) obligations of the State of New York; (5) with the approval of the New York State Comptroller, tax anticipation notes and revenue anticipation notes issued by any New York municipality or district corporation, other than the County; (6) obligations of New York public benefit corporations which are made lawful investments by the County pursuant to another provision of law; (7) certain certificates of participation issued on behalf of political subdivisions of the State of New York; and (8) in the case of County moneys held in certain reserve funds established pursuant to law, obligations issued by the County. These statutes further require that all bank deposits in excess of the amount insured under the Federal Deposit Insurance Act be secured by either a pledge of eligible securities or by a surety bond or an eligible letter of credit, as those terms are defined in the law.

Consistent with the above statutory limitations, it is the County's current policy to invest in: (1) certificates of deposit or time deposit accounts that are fully secured as required by statute; (2) obligations of the United States of America; and (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America. In the case of the United States government, the County may purchase such obligations pursuant to a written repurchase agreement that requires the purchased securities to be delivered to a third party custodian.

### **Financial Statements**

The County retains Dorfman-Robbie, Albany, New York, independent Certified Public Accountants, to conduct audits of its financial affairs. The last audit covers the fiscal year ended December 31, 2001 and is attached hereto as Appendix B.

The County complies with the Uniform System of Accounts as prescribed for Counties in New York State. Except for the accounting for fixed assets, this system conforms to the generally accepted accounting principles as prescribed by the American Institute of Certified Public Accountants' Industry Audit Guide, "Audits of the State and Local Government Units," and codified in Government Accounting, Auditing and Financial Reporting, published by the Governmental Accounting Standard Board (GASB). The County is required to implement GASB #34 for the 2003 calendar year. The County is currently in the planning phase of implementation and has identified capitalization thresholds for fixed assets. The County expects to complete implementation in the early part of 2004.

Summary statements of the results of operations for various funds, shown in the Appendices of this Official Statement, have been derived from the annual and audited financial reports of the County and are provided in memorandum form for information only. It is not implied by inclusion of these statements that the individual funds included were performed individually in accordance therewith. Reference should be made to the actual audit reports, which are available for inspection at the County offices.

## TAX INFORMATION

### Valuations

<u>Year Ending</u> <u>12/31</u>	<u>Taxable</u> <u>Assessed Valuation</u>	<u>State</u> <u>Equilization Rate</u>	<u>Full Valuation</u>
1999	4,286,890,517	94.55	4,533,731,866
2000	4,367,672,119	95.61	4,566,203,652
2001	4,414,655,373	91.57	4,821,091,031
2002	4,438,869,451	87.32	5,083,432,059
2003	4,633,354,255	86.84	<u>5,337,092,228</u>
Total Five - Year Full Valuation			\$24,341,550,836
Average Five - Year Valuation			\$4,868,310,167
Debt Limit - 7% of Average Full Valuation			\$340,781,712

### Tax Rates Per \$1,000 Assessed:

<u>Years Ending December 31:</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
	22.11	24.12	24.44	27.45	28.50

### Tax Collection Record

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Tax Levy	31,220,512	32,660,459	33,403,787	35,329,060	38,226,157
Uncollected Dec. 31	1,280,041	1,208,437	1,102,325	1,165,859	1,452,594
% Uncollected Dec. 31 of each year	4.1	3.7	3.3	3.3	3.8
Uncollected Dec. 31, 2002	103,824	94,523	288,843	317,832	1,452,594
% Uncollected Dec. 31, 2002	0.3	0.3	0.9	0.9	3.8

### Tax Collection Procedure

The current year's property taxes are levied and the prior year's unpaid school 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 and Village of Lake George. These municipalities assess and collect all City and County taxes on property within the municipalities and serve as enforcement agent for tax liens on such property. County taxes collected by these municipalities are remitted to the County periodically.

## Largest Taxpayers – 2003 Assessment Roll

<u>Name</u>	<u>Type</u>	<u>Estimated Full Valuation</u>
New York State	State Land	167,588,529
Niagara Mohawk	Utility	86,683,107
Erie Boulevard Hydropower LP	Utility	44,554,672
Verizon	Utility	15,433,214
Telergy Network Services	Utility	5,562,584
Schermerhorn Properties	Office Buildings	5,315,900
Citizen's Telecom U-C-I	Utility	4,489,880
Adelphia	Utility	3,308,435
Hallmark Nursing Center, Inc.	Healthcare	2,350,500
Curtis Palmer Hydro Electric Plant	Utility	2,085,550
Total		\$337,372,371

## Constitutional Tax Limit

Computation of Constitutional Tax Limit for Years Ending December 31:

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Tax Limit	63,456,354	64,606,206	65,406,563	66,402,580	69,327,150	69,321,150	71,270,176
Add Exclusions	1,010,308	1,588,791	1,657,485	961,312	913,139	863,545	1,105,664
Total Taxing Power	64,466,662	66,194,997	67,064,048	67,363,892	70,240,289	70,190,695	72,375,840
Tax Levy (a)	11,743,639	11,944,289	13,464,049	15,268,354	15,248,819	19,751,530	21,999,334
Tax Margin	52,723,023	54,250,708	53,599,999	52,095,538	54,991,470	50,439,165	50,376,506
Percent of Unused Taxing Power	81.78%	81.96%	79.92%	77.33%	78.29%	71.86%	69.60%

(a) Tax levy subject to tax limit for County, city, and villages

## STATUS OF COUNTY INDEBTEDNESS

### Constitutional Requirements

The New York State Constitution limits the power of the County (and other municipalities and certain school districts of the State) to issue obligations and to contract indebtedness. Such constitutional limitations include the following, in summary form, and are generally applicable to the County and its obligations.

**Purpose and Pledge** Subject to certain enumerated exceptions, the County shall not give or loan any money or property to or in aid of any individual or private corporation or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

The County may contract indebtedness only for a County purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

**Payment and Maturity** Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose as determined by statute and unless substantially level or declining annual debt service is authorized by the County Board of Supervisors and utilized, no installment may be more than fifty per centum in excess of the smallest prior installment. The County is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and such required annual installments on its bonds.

**Debt Limit** The County has the power to contract indebtedness for any County purpose so long as the principal amount thereof shall not exceed seven per centum of the average full valuation of taxable real estate of the County and subject to certain enumerated exclusions and deductions such as water, electric and certain sewer facilities and cash or appropriations for current

debt service. The constitutional method for determining average full valuation is by taking the assessed valuations of taxable real estate as shown upon the latest completed assessment roll and dividing the same by the equalization rate as determined by the State Board of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined. Average full valuation is determined by taking the sum of the full valuations of such last completed assessment roll and the four preceding assessment rolls and dividing such sum by five.

Pursuant to Article VIII of the Constitution and Title 9 of Article 2 of the Local Finance Law, the debt limit of the County is calculated by taking 7 per centum of the latest five-year average of the full valuation of all taxable real property.

### Statutory Procedure

In general, the State Legislature has authorized the powers and procedures for the County to borrow and incur indebtedness by the enactment of the Local Finance Law subject to the constitutional provisions set forth above. The power to spend money, however, generally derives from other law, including the County Law and the General Municipal Law of the State and the County Charter.

Pursuant to the County Charter and the Local Finance Law, as applicable, the County authorizes the incurrence of indebtedness, including bonds and bond anticipation notes issued in anticipation of such bonds, by the adoption of a resolution, approved by at least a two-thirds vote of the County Board of Supervisors, which body as a whole constitutes the finance board of the County. Such resolutions are not subject to referendum. Each bond resolution usually authorizes the construction, acquisition, or installment of the object or purpose to be financed, sets forth the plan of financing, the estimated maximum cost thereof and specifies the maximum maturity of the bonds subject to the legal restrictions relating to the period of probable usefulness with respect thereto. Each bond resolution also authorizes the issuance of bond anticipation notes prior to the issuance of bonds. Statutory law in the State permits notes to be renewed each year provided that principal reductions are made and provided that such renewals, except in the case of assessable improvement financing, generally do not extend five years beyond the original date of borrowing. The County Board of Supervisors has delegated certain of its power in relation to the sale of bonds and any notes issued in anticipation thereof to the County Treasurer as the Chief Fiscal Officer of the County.

The County Board of Supervisors, as the finance board of the County, has the power to adopt tax and revenue anticipation note resolutions by majority vote. Such resolutions may authorize the issuance of tax or revenue anticipation notes in an aggregate principal amount necessary to fund anticipated cash flow deficits but in no event exceeding the amount of taxes or moneys estimated to be received by the County, less any tax or revenue anticipation note previously issued and less the amount of such taxes or moneys previously received by the County.

### Debt Outstanding End of Fiscal Year (December 31)

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Bonds	9,445,000	8,313,919	7,087,135	5,855,351	4,618,568	3,376,783
Bond Anticipation Notes	723,444	578,755	434,066	289,377	144,688	0
Total	<u>10,168,444</u>	<u>8,892,674</u>	<u>7,521,201</u>	<u>6,144,728</u>	<u>4,763,256</u>	<u>3,376,783</u>

### Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the County evidenced by bonds and bond anticipation notes as of July 2, 2003:

	<u>Maturity Date</u>	<u>Amount Outstanding</u>
<u>Bonds</u>	2003-2008	\$3,376,783
<u>Bond Anticipation Notes</u>		\$0
Total Indebtedness		<u>\$3,376,783</u>

### Constitutional Debt Limit

Pursuant to the Local Finance Law, the County has the power to contract indebtedness for any County purpose authorized by the Legislature of the State of New York, provided that the aggregate principal amount thereof shall not exceed seven per centum of the average full valuation of the taxable real estate located in the County and subject to certain enumerated exclusions and deductions such as debt contracted to provide water, self-liquidating facilities and certain sewer facilities and cash or appropriations to pay the principal of outstanding debt. The constitutional method for determining average full valuation consists of taking the assessed valuation of taxable real estate for the last five completed assessment rolls and applying thereto the ratio (equalization rate) which such assessed valuation bears to the full valuations. Such ratio is determined by the State Board of

Equilization and Assessment. The State Legislature is also required to prescribe the manner by which such ratio shall be determined by such authority.

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin as shown on Debt Statement prepared as of July 2, 2003:

Five-Year Average Full Valuation of Taxable Real Property.....	\$4,868,310,167
Debt Limit 7% Thereof.....	\$340,781,712
Inclusions:	
Outstanding Bonds.....	\$3,376,783
Bond Anticipation Notes .....	<u>\$0</u>
Total Inclusions.....	<u>\$3,376,783</u>
Exclusions:	
Appropriations.....	\$0
Sewer Debt .....	<u>\$0</u>
Total Exclusions .....	<u>\$0</u>
Total Net Indebtedness .....	\$3,376,783
Net Debt Contracting Margin .....	\$337,404,929
Percentage of Debt Contracting Power Exhausted .....	0.99%

The issuance of the Bonds will increase the Total Net Indebtedness of the County by \$23,000,000.

#### Capital Projects Financings

The County, after issuance of the Bonds, will have authorized but unissued debt of \$742,533, of which \$442,533 is for the completion of a new County road improvement and \$300,000 is for exterior rehabilitation and repair of the County Municipal Center. The County established reserves for future capital projects and appropriated \$542,533 to the reserves. All or a portion of the reserves may be appropriated to fund the authorized capital projects.

#### Capital Planning

The County currently has authorized and approved capital projects of \$94 million. The County anticipates it will not need to issue any additional debt after this offering to fund these projects. The largest authorized and approved projects are \$22,000,000 for the construction of a new Lake George sewer wastewater treatment improvement project (of which \$20,995,000 is being financed through Federal and State contributions) and \$27,000,000 for the public safety facility being financed with the proceeds of the Bonds.

Construction of the public safety facility is anticipated to take one and a half years. Construction of the Lake George sewer wastewater treatment improvement project, which is estimated to take thirteen years, began in June 1996.

The County anticipates that its authorized but unissued debt will not be issued and will be covered by State aid.

## Bond Principal and Interest

Fiscal Year Ending December 31	Principal	Interest	Total Principal & Interest
2003	791,784	156,916	948,700
2004	785,000	118,043	903,043
2005	450,000	79,200	529,200
2006	450,000	59,400	509,400
2007	450,000	39,600	489,600
2008	<u>450,000</u>	<u>19,800</u>	<u>469,800</u>
TOTALS	\$3,376,784	\$472,959	\$3,849,743

## Estimated Underlying Indebtedness

In addition to the County, various other political units within the County have the power to incur indebtedness payable from property taxes in property located in the County. The following table sets forth both the total outstanding principal amount of debt issued by other political units within the County.

	Gross Underlying <u>Indebtedness</u>	<u>Exclusions</u>	Net Underlying <u>Indebtedness</u>
Towns (11) (a)	22,392,527	16,340,414	6,052,113
School Districts (17) (a)	73,652,369	3,000,000	70,652,369
Fire Districts (6) (a)	212,232	0	212,232
City of Glens Falls (a)	12,450,000	3,525,000	8,925,000
Village of Lake George (b)	2,385,999	1,046,384	<u>1,339,615</u>
Total Underlying Debt			\$87,181,329

(a) As of Fiscal Year ending December 31, 2001

(b) As of Fiscal Year ending May 31, 2001

Source: Office of the State Comptroller

## Debt Ratios

The following table presents certain debt ratios relative to the County's indebtedness as of April 22, 2003:

	Amount <u>Of Indebtedness</u>	Debt Per <u>Capita (a)</u>	Debt to Full <u>Value (b)</u>	Per Capita Debt <u>to Per Capita Income (c)</u>
Net Direct Debt	3,376,783	\$53.34	0.063%	0.197%
Net Direct and Overlapping Debt	90,558,112	\$1,430.55	1.69%	5.30%

(a) Based on 2000 Census estimate of 63,303

(b) Based on full value of \$5,337,092,228 for the 2003 tax year

(c) Based on the County's 2000 per capita income of \$26,971

## SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent to the instant issue, that the rate of interest to be paid by the County upon any judgments or accrued claims against it shall not exceed nine per centum per annum. This provision might be construed to have application to the holders of the Bonds in the event of a default in the payment of the principal of or interest on the Bonds.

In accordance with the general rule with respect to municipalities, judgments against the County may not be enforced by levy and execution against property owned by the County.

The Federal Bankruptcy Code permits recourse to the protection of a Federal Court by public bodies for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization for any municipality

in the State (including the County) to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness.

At the Extraordinary Session of the State Legislature held in November 1975, legislation was enacted which purported to suspend the right to commence or continue an action in any court to collect or enforce certain short-term obligations of the City of New York. The effect of such act was to create a three-year moratorium on actions to enforce the payment of such obligations. On November 19, 1976, the Court of Appeals, the State's highest court, declared such act to be invalid on the ground that it violates the provisions of the State Constitution requiring a pledge by such City of its faith and credit for the payment of such obligations.

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of the Local Finance Law enacted at the 1975 Extraordinary Session of the State Legislature, authorizing any county, city, County or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the County.

## **MARKET AND RISK FACTORS**

The financial and economic condition of the County as well as the market for the Bonds could be affected by a variety of factors, some of which are beyond the County's control. There can be no assurance that adverse events in the State, or elsewhere, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Bonds. If a significant default or other financial crisis should occur in the affairs of the State or another jurisdiction, or any of its agencies or political subdivisions, thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the County to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Bonds, could be adversely affected.

## **LITIGATION**

The County is subject to a number of lawsuits in the ordinary conduct of its affairs. The County does not believe that such suits, individually or in the aggregate, are likely to have a material adverse effect on the financial condition of the County.

## **TAX MATTERS**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes of personal income taxes imposed by the State of New York and the City of New York. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinions of Bond Counsel is set forth in Appendix C.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The County has covenanted to comply with certain restrictions designed to insure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants will result in interest on the Bonds being included in gross income for federal income tax purposes as well as adjusted gross income for purposes of personal income taxes imposed by the State of New York or The City of New York, from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Bonds.

Certain requirements and procedures contained or referred to in the Arbitrage Certificate, and other relevant documents, may be changed and certain actions (including, without limitation, economic defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bonds or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than Orrick, Herrington & Sutcliffe LLP.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is excludable from adjusted gross income for federal income taxes imposed by the State of New York and The City



of New York, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect an Owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Owner or the Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

## LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving legal opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Bond Counsel's opinion will be in substantially the form attached hereto as Appendix C.

## CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "Commission") as the same may be amended or officially interpreted from time to time (the "Rule"), the County has agreed to provide, or cause to be provided,

- (i) during any succeeding fiscal year in which the Bonds are outstanding, to each nationally recognized municipal securities information repository ("NRMSIR") designated by the Commission in accordance with the Rule, and to the New York State information depository, if New York State creates a depository ("SID"), certain annual financial information and operating data for the preceding fiscal year, in a form generally consistent with the information contained or cross-referenced under the headings "The County", "Financial Information", "Tax Information", "Status of County Indebtedness", "Litigation," and a copy of the audited financial statement (prepared in accordance with generally accepted accounting principles in effect at the time of audit) for the preceding fiscal year, if any; such information, data and audit, if any, will be so provided on or prior to the later of either the end of the sixth month of each such succeeding fiscal year or, if an audited financial statement is prepared, sixty days following receipt by the County of the audited financial statement for the preceding fiscal year, but, in no event not later than the last business day of each such succeeding fiscal year.
- (ii) in a timely manner, to each NRMSIR or to the Municipal Securities Rulemaking Board ("MSRB") and to the SID, notice of the occurrence of any of the following events with respect to the Bonds, if such event is material:
  - (a) principal and interest payment delinquencies
  - (b) non-payment related defaults
  - (c) unscheduled draws on debt service reserves reflecting financial difficulties
  - (d) unscheduled draws on credit enhancements reflecting financial difficulties
  - (e) substitution of credit or liquidity providers, or their failure to perform
  - (f) adverse tax opinions or events affecting the tax-exempt status of the Bonds
  - (g) modifications to rights of Bondholders
  - (h) bond calls
  - (i) defeasances
  - (j) release, substitution, or sale of property securing repayment of the Bonds
  - (k) rating changes

The County may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if the County determines that any such other event is material with respect to the Bonds; but the County does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

- (iii) in a timely manner, to each NRMSIR or to the MSRB and to the SID, notice of its failure to provide the aforementioned annual financial information and operating data and such audited financial statement, if any, on or before the date specified.

The County reserves the right to terminate its obligations to provide the aforementioned annual financial information and operating data and such audited financial statement, if any, and notices of material events, as set forth above, if and when the County no longer remains an obligated person with respect to the Bonds within the meaning of the Rule. The County acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the holders of the Bonds (including holders of beneficial interests in the Bonds). The right of holders of the Bonds to enforce the provisions of the undertaking will be limited to a right to obtain specific enforcement of the County's obligations under its continuing disclosure undertaking and any failure by the County to comply with the provisions of the undertaking will neither be a default with respect to the Bonds nor entitle any holder of the Bonds to recover monetary damages.

The County reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the County; provided that, the County agrees that any such modification will be done in a manner consistent with the Rule.

A Continuing Disclosure Undertaking Certificate to this effect shall be provided to the Purchaser at the closing.

#### **RATINGS**

Moody's Investor Service, Inc. ("Moody's") and Standard and Poor's Corporation ("S&P") will assign its municipal bond rating of "Aaa" and "AAA" to the Bonds with the understanding that upon delivery of the Bonds, a policy insuring the payment when due of the principal and interest on the Bonds will be issued by the Insurer. Such ratings reflect only the view of such organization, and an explanation of the significance of such ratings may be obtained from Moody's and S&P. There is no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn by such rating agency, if in its judgment, circumstances so warrant. A revision or withdrawal of such ratings may have an effect on the market price of such Bonds.

#### **ADDITIONAL INFORMATION**

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. This Official Statement is not to be construed as a contract or agreement between the County and the purchaser or holders of any of the Bonds.

Additional information may be obtained by contacting the County's financial advisor, Environmental Capital LLC at (212) 302-4227, or the County Treasurer at (518) 761-6375.

This Official Statement is submitted only in connection with the sale of the Bonds by the County and may not be reproduced or used in whole or in part for any other purpose.

**COUNTY OF WARREN**

**Dated: Lake George, New York  
July 17, 2003**

**FRANCIS X. O'KEEFE  
County Treasurer**

**Revenues, Expenditures and Fund Balance – General Fund**
**Appendix A**

<u>REVENUES:</u>	<u>1998<sup>1</sup></u>	<u>1999<sup>1</sup></u>	<u>2000<sup>1</sup></u>	<u>2001<sup>1</sup></u>	<u>2002<sup>2</sup></u>
Real Property Tax	\$ 8,645,008	\$ 8,903,131	\$ 9,555,699	\$ 9,012,991	\$ 10,094,324
Real Property Tax Items	1,206,006	1,369,006	1,369,936	1,334,166	1,246,634
Sales and Use Tax	17,648,502	18,825,632	20,033,096	19,750,692	21,661,440
Departmental Income	6,811,255	6,659,067	8,073,488	9,082,305	9,981,258
Intergovernmental Charges	451,326	438,341	238,914	260,943	237,989
Use of Money and Property	1,018,584	1,100,421	1,838,837	1,533,667	1,068,954
Licenses and Permits	76,322	87,397	87,845	84,987	111,461
Fines and Forfeitures	214,001	208,661	261,215	218,394	297,987
Sale of Property and Compensation for Loss	112,005	472,941	912,682	5,794,317	863,363
Miscellaneous Local Sources	3,258,128	4,574,633	4,088,637	4,211,751	4,164,553
State Aid	9,080,855	6,985,160	9,203,290	10,521,361	10,174,560
Federal Aid	6,391,937	5,510,693	6,792,971	8,230,782	7,945,060
<b>TOTAL REVENUES</b>	<b>\$ 54,913,929</b>	<b>\$ 55,135,083</b>	<b>\$ 62,456,610</b>	<b>\$ 70,036,356</b>	<b>\$ 67,847,583</b>
<u>EXPENDITURES</u>					
General Government Support	\$ 5,174,916	\$ 5,685,085	\$ 5,912,581	\$ 6,182,203	\$ 6,762,232
Education	1,369,740	1,366,261	1,485,596	1,550,392	1,640,297
Public Safety	7,375,607	7,533,136	8,217,890	8,652,840	9,367,895
Health	8,149,472	7,997,273	8,774,969	9,558,653	11,160,296
Transportation	393,884	481,629	471,937	555,837	581,410
Economic Assistance and Opportunity	22,264,584	23,136,077	25,843,505	29,984,191	29,948,642
Culture and Recreation	1,024,759	954,441	1,115,923	1,172,022	1,082,560
Home and Community Services	648,894	780,252	750,503	815,602	899,879
Employee Benefits	2,679,453	3,164,498	3,850,118	3,219,903	3,822,838
Debt Service (principal and interest)	164,948	160,971	157,677	154,811	146,991
<b>TOTAL EXPENDITURES</b>	<b>\$ 49,246,257</b>	<b>\$ 51,259,623</b>	<b>\$ 56,580,699</b>	<b>\$ 61,846,454</b>	<b>\$ 65,413,040</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 5,667,672	\$ 3,875,460	\$ 5,875,911	\$ 8,189,902	\$ 2,434,543
Other Financing (Uses) Sources:					
Operating Transfers In	156,111	62,386	161,023	360,604	20,000
Operating Transfers Out	(3,636,241)	(3,745,573)	(4,747,870)	(7,132,501)	(951,313)
Proceeds from Debt	0	0	0	0	0
<b>Total Other Financing (Uses) Sources</b>	<b>\$ (3,480,130)</b>	<b>\$ (3,683,187)</b>	<b>\$ (4,586,847)</b>	<b>\$ (6,771,897)</b>	<b>\$ (931,313)</b>
Excess of Revenues and Other Financing (Uses) Sources Over Expenditures	\$ 2,187,542	\$ 192,273	\$ 1,289,064	\$ 1,418,005	\$ 1,503,230
Fund Balances, Beginning of Year	\$ 16,877,911	\$ 19,065,453	\$ 19,257,726	\$ 21,085,779	\$ 22,503,784
Residual Equity Transfer	\$ -	\$ -	\$ 538,989	\$ -	\$ -
Fund Balances, End of Year	\$ 19,065,453	\$ 19,257,726	\$ 21,085,779	\$ 22,503,784	\$ 24,007,014

<sup>1</sup>Source: Audited Financial Statements used for years 1998 through 2001.

<sup>2</sup>Source: 2002 Annual Financial Report filed with the New York Office of the State Comptroller.

Note: Summary itself has not been audited.

<u>REVENUES:</u>	<u>2003 Adopted Budget</u>
Real Property Tax	\$11,450,525
Real Property Tax Items	\$1,065,000
Non-Property Tax Items	18,977,025
Departmental Income	9,035,166
Intergovernmental Charges	231,207
Use of Money and Property	856,951
Miscellaneous Local Sources	1,520,217
State Aid	12,114,251
Federal Aid	6,976,023
Appropriated Fund Balance	5,034,329
TOTAL REVENUES	<u>\$67,260,694</u>

<u>EXPENDITURES</u>	
General Government Support	\$7,303,662
Education	1,658,353
Public Safety	10,122,203
Health	11,847,171
Transportation	619,567
Economic Assistance and Opportunity	26,878,226
Culture and Recreation	1,249,872
Home and Community Services	980,133
Employee Benefits	5,850,387
Debt Service	732,500
Interfund Transfer	18,620
TOTAL EXPENDITURES	<u>\$67,260,694</u>

Source: 2003 County Budget

Note: Summary itself has not been audited.

**Balance Sheets – General Fund**
**Appendix A-2**

Year Ended December 31:	<u>2000<sup>1</sup></u>	<u>2001<sup>1</sup></u>	<u>2002<sup>2</sup></u>
<b><u>ASSETS</u></b>			
Cash	24,366,550	28,405,801	25,812,895
Taxes Receivable	8,547,511	7,633,937	8,615,885
Other Receivables	1,710,718	1,718,077	1,938,629
State and Federal Receivables	4,561,880	6,677,091	6,288,649
Loans Receivable	-	-	-
Due from Other Governments	1,156,983	907,099	1,433,322
Due from Other Funds	893,997	598,105	4,186,941
Prepaid Expenses and Other Assets	100,051	62,474	88,472
Inventories	89,184	75,442	88,430
Restricted Assets - Cash and Cash in Time	536,418	586,716	540,585
Fixed Assets, Net of Accumulated Depreciation in Enterprise Fund	-	-	-
<b>TOTAL ASSETS</b>	<b>\$41,963,292</b>	<b>\$46,664,742</b>	<b>\$48,993,808</b>
<b><u>LIABILITIES</u></b>			
Accounts Payable	2,632,061	3,053,107	4,367,276
Retained Percentages	-	-	-
Accrued Liabilities	720,387	814,647	943,450
Benefits and Awards Payable	-	-	-
Bonds, Bond Anticipation Notes and Capitalized Leases	-	-	-
Other Liabilities	2,654	-	1,251,698
Due to Other Funds	196,598	1,760,578	-
Due to Other Governments	11,470,405	12,956,351	13,647,496
Agency Liabilities	-	-	-
Deferred Revenues	4,728,608	4,418,869	4,776,874
Liability for Compensated Absences	\$1,126,800	1,157,406	-
<b>TOTAL LIABILITIES</b>	<b>\$20,877,513</b>	<b>\$24,160,958</b>	<b>\$24,986,794</b>
<b><u>FUND EQUITY</u></b>			
Retained Earnings	-	-	-
Investment in General Fixed Assets	-	-	-
Fund Balance Reserved:			
Encumbrances	238,705	278,965	562,451
Expendable Trust	-	-	-
Special	951,497	1,046,110	741,031
Inventories	89,184	75,442	88,430
Prepaid Retirement	64,752	27,099	52,997
Fund Balance Unreserved:			
Designated for Subsequent Years	3,000,000	4,206,000	5,034,329
Designated for Capital Projects	-	-	-
Undesignated	16,741,641	16,870,168	17,527,776
<b>TOTAL FUND EQUITY</b>	<b>\$21,085,779</b>	<b>\$22,503,784</b>	<b>\$24,007,014</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$41,963,292</b>	<b>\$46,664,742</b>	<b>\$48,993,808</b>

<sup>1</sup>Source: Audited Financial Statements used for years 1998 through 2001.

<sup>2</sup>Source: 2002 Annual Financial Report filed with the New York Office of the State Comptroller.

Note: Summary itself has not been audited.

**Changes in Fund Balances – Other Funds**
**Appendix A-3**

Fiscal Year Ending Dec. 31:	<u>1999</u>	<u>2000</u>	<u>2001</u>
<u>Special Revenue</u>			
Balance Beginning of Year	5,661,545	5,733,222	6,527,537
Revenues	12,844,980	12,620,330	16,159,694
Expenditures	<u>15,303,457</u>	<u>15,278,784</u>	<u>15,207,688</u>
Balance End of Year	<u>\$5,733,222</u>	<u>\$6,527,538</u>	<u>\$8,590,543</u>
<u>Capital Projects</u>			
Balance Beginning of Year	6,680,565	6,983,894	5,539,733
Revenues	2,044,800	1,433,185	4,709,678
Expenditures	<u>2,344,754</u>	<u>3,377,014</u>	<u>5,605,110</u>
Balance End of Year	<u>\$6,983,894</u>	<u>\$5,539,733</u>	<u>\$10,294,616</u>
<u>Expendable Trust</u>			
Balance Beginning of Year	7,782	7,992	4,153
Revenues	2,641	2,486	36
Expenditures	<u>2,431</u>	<u>6,325</u>	<u>0</u>
Balance End of Year	<u>\$7,992</u>	<u>\$4,153</u>	<u>\$4,189</u>
<u>Component Units</u>			
Balance Beginning of Year	260,139	391,133	391,963
Revenues	385,848	354,850	405,516
Expenditures	<u>254,854</u>	<u>271,284</u>	<u>5,327,827</u>
Balance End of Year	<u>\$391,133</u>	<u>\$474,699</u>	<u>\$945,206</u>

Source: Audited Financial Statements used for years 1998 through 2001. Data for the year 2002 was unavailable.

Note: Summary itself has not been audited.

WARREN COUNTY, NEW YORK  
FINANCIALS STATEMENTS AND SUPPLEMENTARY INFORMATION  
YEAR ENDED DECEMBER 31, 2001  
WITH INDEPENDENT AUDITORS' REPORT

*“Such Financial Statements and opinion were prepared as of the date thereof and have not been reviewed and/ or updated in connection with the preparation and dissemination of this Official Statement.”*

## CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT.....	1-2
GENERAL PURPOSE FINANCIAL STATEMENTS	
Combined balance sheet - All fund types, account groups, and component units.....	3
Combined statement of revenue, expenditures, and changes in fund equity - All governmental fund types, expendable trust funds, and component units .....	4
Combined statement of revenue, expenditures, encumbrances, and changes in fund equity - Budget and actual – General and special revenue fund types.....	5
Statement of revenue, expenses, and changes in retained earnings - Proprietary fund .....	6
Statement of cash flows - Proprietary fund type .....	7
Notes to financial statements .....	8-31
REQUIRED REPORTS UNDER OMB CIRCULAR A-133	
Schedule of expenditures of federal awards.....	32-33
Notes to schedule of expenditures of federal awards .....	34
Independent auditors' report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards.....	35
Independent auditors' report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133.....	36-37
Schedule of findings and questioned costs .....	38-39
Schedule of prior year audit findings.....	40-41





**Dorfman-Robbie**  
Certified Public Accountants, P.C.

## **INDEPENDENT AUDITORS' REPORT**

To the Chairman and Members of the Board of Supervisors  
County of Warren  
Lake George, New York

We have audited the general purpose financial statements of County of Warren for the year ended December 31, 2001. These general purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Westmount Health Facility (an enterprise fund). Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the general purpose financial statements, insofar as it relates to the amounts included for the Westmount Health Facility, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of County of Warren at December 31, 2001, and the results of its operations and the cash flows for its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **INDEPENDENT AUDITORS' REPORT (CONT.)**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2002, on our consideration of County of Warren's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements of County of Warren. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

August 23, 2002  
Albany, New York

**COUNTY OF WARREN**  
**COMBINED BALANCE SHEET - ALL FUND TYPES, ACCOUNT GROUPS, AND COMPONENT UNITS**  
**DECEMBER 31, 2001**

	<i>Governmental Fund Types</i>			<i>Proprietary Fund Type</i>	<i>Fiduciary Fund Type</i>	<i>General Account Groups</i>		<i>Component Units</i>
	<i>General</i>	<i>Special Revenue</i>	<i>Capital Projects</i>	<i>Enterprise</i>	<i>Trust And Agency</i>	<i>Fixed Assets</i>	<i>Long-Term Debt</i>	
<b>ASSETS:</b>								
Cash	\$ 28,405,801	\$ 4,299,478	\$ 4,860,758	\$ 765,326	\$ 2,291,566	\$ 0	\$ 0	\$ 272,435
Restricted cash	586,716	5,505,763	568,845	33,570	0	0	0	0
Investments	0	0	0	0	0	0	0	690,686
Taxes receivable - (Net of an allowance for uncollectible taxes of \$100,000)	7,633,937	0	0	0	0	0	0	0
Accounts receivable (Net of allowance for uncollectible amounts of \$87,531)	1,718,077	23,649	1,876	327,199	0	0	0	0
Loans receivable	0	7,754	0	0	0	0	0	710,752
Due from other funds	598,105	254,201	1,500,238	113,021	104,610	0	0	0
State and federal receivables	6,677,091	263,739	3,875,835	0	0	0	0	0
Due from other governments	907,099	77,470	69,124	0	0	0	0	0
Prepaid expenditures	62,474	68,085	120	585,685	0	0	0	0
Inventories	75,442	93,481	0	16,354	0	0	0	0
Provision to be made in future budgets	0	0	0	0	0	0	9,197,405	5,133,236
Amount available in reserve for debt	0	0	0	0	0	0	0	406,764
Fixed assets (Net of accumulated depreciation in enterprise fund)	0	0	0	1,280,445	0	31,643,048	0	0
<b>TOTAL ASSETS</b>	<b>\$ 46,664,742</b>	<b>\$ 10,593,620</b>	<b>\$ 10,876,796</b>	<b>\$ 3,121,600</b>	<b>\$ 2,396,176</b>	<b>\$ 31,643,048</b>	<b>\$ 9,197,405</b>	<b>\$ 7,213,873</b>
<b>LIABILITIES:</b>								
Accounts payable	\$ 3,053,107	\$ 1,116,364	\$ 276,163	\$ 82,563	\$ 0	\$ 0	\$ 0	\$ 0
Accrued expenses	814,647	182,883	987	108,763	0	0	0	140,168
Retained percentages	0	0	143,355	0	0	0	0	0
Settlements and claims payable	0	0	0	0	0	0	98,109	0
Bonds and notes payable	0	0	144,688	163,568	0	0	4,455,000	5,540,000
Benefits and awards payable	0	197,908	0	0	0	0	2,476,292	0
Other liabilities	0	0	0	83,051	0	0	0	0
Due to other funds	1,760,578	88,303	12,952	184,298	524,044	0	0	0
Due to other governments	12,956,351	986	4,035	0	0	0	0	0
Agency liabilities	0	0	0	0	1,867,943	0	0	0
Compensated absences	1,157,406	200,754	0	245,082	0	0	2,168,004	0
Deferred revenues	4,418,869	215,879	0	0	0	0	0	588,499
<b>TOTAL LIABILITIES</b>	<b>24,160,958</b>	<b>2,003,077</b>	<b>582,180</b>	<b>867,325</b>	<b>2,391,987</b>	<b>0</b>	<b>9,197,405</b>	<b>6,268,667</b>
<b>EQUITY:</b>								
Retained earnings	0	0	0	2,254,275	0	0	0	0
Investment in general fixed assets	0	0	0	0	0	31,643,048	0	0
Fund balances - Reserved:								
Encumbrances	278,965	590,044	10,803,073	0	0	0	0	0
Inventory	75,442	93,481	0	0	0	0	0	0
Retirement system credits	27,099	3,971	0	0	0	0	0	0
Miscellaneous	586,716	0	(661,963)	0	0	0	0	0
Expendable trust	0	0	0	0	4,189	0	0	0
Special	459,394	5,838,392	153,506	0	0	0	0	0
Total reserved	1,427,616	6,525,888	10,294,616	2,254,275	4,189	31,643,048	0	0
Fund balances - Unreserved:								
Designated for subsequent year's expenditures	4,206,000	369,000	0	0	0	0	0	0
Undesignated	16,870,168	1,695,655	0	0	0	0	0	945,206
Total unreserved	21,076,168	2,064,655	0	0	0	0	0	945,206
<b>TOTAL EQUITY</b>	<b>22,503,784</b>	<b>8,590,543</b>	<b>10,294,616</b>	<b>2,254,275</b>	<b>4,189</b>	<b>31,643,048</b>	<b>0</b>	<b>945,206</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 46,664,742</b>	<b>\$ 10,593,620</b>	<b>\$ 10,876,796</b>	<b>\$ 3,121,600</b>	<b>\$ 2,396,176</b>	<b>\$ 31,643,048</b>	<b>\$ 9,197,405</b>	<b>\$ 7,213,873</b>

See accompanying notes to financial statements and independent auditors' report.

**COUNTY OF WARREN**  
**COMBINED STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND EQUITY**  
**ALL GOVERNMENTAL FUND TYPES, EXPENDABLE TRUST FUNDS, AND COMPONENT UNITS**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			<u>Fiduciary</u> <u>Fund Type</u>		<u>Total</u>
	<u>General</u>	<u>Special</u> <u>Revenue</u>	<u>Capital</u> <u>Projects</u>	<u>Expendable</u> <u>Trust</u>	<u>Component</u> <u>Units</u>	<u>Memorandum</u> <u>Only</u>
Revenue:						
Real property taxes	\$ 9,012,991	\$ 8,727,959	\$ 0	\$ 0	\$ 0	\$ 17,740,950
Real property tax items	1,334,166	0	0	0	0	1,334,166
Sales and use taxes	19,750,692	0	0	0	0	19,750,692
Departmental income	9,082,305	3,342	0	0	35,301	9,120,948
Intergovernmental charges	260,943	3,890,261	0	0	0	4,151,204
Use of money and property	1,533,667	396,842	212,442	36	6,123	2,149,110
Licenses and permits	84,987	0	0	0	0	84,987
Fines and forfeitures	218,394	0	0	0	0	218,394
Sale of property and compensation for loss	5,794,317	16,128	23,284	0	0	5,833,729
Miscellaneous local sources	4,211,751	870,341	4,765	0	133,950	5,220,807
State aid	10,521,361	857,880	115,901	0	127,398	11,622,540
Federal aid	8,230,782	1,396,941	4,353,286	0	102,744	14,083,753
Total revenue	70,036,356	16,159,694	4,709,678	36	405,516	91,311,280
Expenditures:						
General governmental support	6,182,203	998,785	267,503	0	5,032,499	12,480,990
Education	1,550,392	0	0	0	0	1,550,392
Public safety	8,652,840	299,373	105,457	0	0	9,057,670
Health	9,558,653	0	0	0	0	9,558,653
Transportation	555,837	6,458,022	2,100,248	0	0	9,114,107
Economic assistance and opportunity	29,984,191	962,925	0	0	0	30,947,116
Culture and recreation	1,172,022	0	5,800	0	0	1,177,822
Home and community services	815,602	5,131,257	2,517,702	0	295,328	8,759,889
Employee benefits	3,219,903	628,240	0	0	0	3,848,143
Debt service - Principal and interest	154,811	729,086	608,400	0	0	1,492,297
Total expenditures	61,846,454	15,207,688	5,605,110	0	5,327,827	87,987,079
Excess (deficiency) of revenue over expenditures	8,189,902	952,006	(895,432)	36	(4,922,311)	3,324,201
Other sources (uses):						
Interfund transfers in	360,604	1,511,000	5,510,230	0	0	14,763,668
Interfund transfers (out)	(7,132,501)	(400,000)	(4,604)	0	0	(15,074,210)
Bond anticipation notes redeemed from appropriations	0	0	144,689	0	0	144,689
Proceeds from issuance of long term debt	0	0	0	0	5,475,554	5,475,554
Total other sources (uses)	(6,771,897)	1,111,000	5,650,315	0	5,475,554	5,464,972
REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	1,418,005	2,063,006	4,754,883	36	553,243	8,789,173
FUND EQUITY - BEGINNING OF YEAR	21,085,779	6,527,537	5,539,733	4,153	391,963	33,549,165
FUND EQUITY - END OF YEAR	\$ 22,503,784	\$ 8,590,543	\$ 10,294,616	\$ 4,189	\$ 945,206	\$ 42,338,338

See accompanying notes to financial statements and independent auditors' report.

**COUNTY OF WARREN**  
**COMBINED STATEMENT OF REVENUE, EXPENDITURES, ENCUMBRANCES, AND CHANGES IN FUND EQUITY**  
**BUDGET AND ACTUAL**  
**GENERAL AND SPECIAL REVENUE FUND TYPES**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

	General Fund			Special Revenue Fund Types		
	Modified Budget	Actual	Variance Favorable (Unfavorable)	Modified Budget	Actual	Variance Favorable (Unfavorable)
REVENUE:						
Real property taxes	\$ 8,919,935	\$ 9,012,991	\$ 93,056	\$ 8,727,892	\$ 8,727,892	\$ 0
Real property tax items	1,100,000	1,334,166	234,166	0	0	0
Sales and use taxes	16,804,298	19,750,692	2,946,394	0	0	0
Departmental income	6,974,672	9,082,305	2,107,633	0	0	0
Intergovernmental charges	265,849	260,943	(4,906)	1,885,000	1,463,698	(421,302)
Use of money and property	893,562	1,533,667	640,105	145,800	206,089	60,289
Licenses and permits	90,000	84,987	(5,013)	0	0	0
Fines and forfeitures	268,690	218,394	(50,296)	0	0	0
Sale of property and compensation for loss	5,599,577	5,794,317	194,740	32,000	16,128	(15,872)
Miscellaneous local sources	3,942,109	4,211,751	269,642	5,000	867,555	862,555
State aid	12,270,460	10,521,361	(1,749,099)	1,065,500	852,370	(213,130)
Federal aid	8,674,173	8,230,782	(443,391)	0	0	0
Total revenue	65,803,325	70,036,356	4,233,031	11,861,192	12,133,732	272,540
EXPENDITURES:						
General government support	6,819,665	6,182,203	138,709	0	34,200	(34,200)
Education	1,554,541	1,550,392	4,149	0	0	0
Public safety	9,288,391	8,652,840	74,596	505,093	299,373	205,720
Health	9,923,136	9,558,653	14,932	0	0	0
Transportation	599,367	555,837	34,761	7,766,500	6,458,022	826,407
Economic assistance and opportunity	30,460,905	29,984,191	4,920	0	0	0
Culture and recreation	1,282,745	1,172,022	5,239	0	0	0
Home and community services	890,808	815,602	5,498	3,488,300	4,688,469	(1,223,515)
Employee benefits	3,822,492	3,219,903	310	664,795	600,915	63,880
Debt service - Principal and interest	157,243	154,811	2,432	729,086	729,086	0
Total expenditures	64,799,293	61,846,454	2,789,655	13,153,774	12,810,065	(161,708)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	1,004,032	8,189,902	(278,965)	(1,292,582)	(676,333)	110,832
OTHER SOURCES (USES):						
Interfund transfers in	0	360,604	360,604	1,137,993	1,511,000	373,007
Interfund transfers (out)	(7,087,858)	(7,132,501)	(44,643)	0	0	0
Proceeds from issuance of long-term debt	335,000	0	(335,000)	0	0	0
Appropriated fund balance	5,748,826	0	(5,748,826)	154,589	0	(154,589)
Total other sources (uses)	(1,004,032)	(6,771,897)	(5,767,865)	1,292,582	1,511,000	218,418
REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES, ENCUMBRANCES, AND OTHER USES	0	1,418,005	1,139,040	0	834,667	329,250
FUND EQUITY - BEGINNING OF YEAR	21,085,779	21,085,779	0	2,570,604	2,570,604	0
FUND EQUITY (DEFICIT) - END OF YEAR	\$ 21,085,779	\$ 22,503,784	\$ 1,139,040	\$ 2,570,604	\$ 3,405,271	\$ 329,250

See accompanying notes to financial statements and independent auditors' report.

**COUNTY OF WARREN**  
**STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN**  
**RETAINED EARNINGS - PROPRIETARY FUND**  
**YEAR ENDED DECEMBER 31, 2001**

Net patient service revenue	\$ 4,367,992
Other operating revenue	<u>2,337</u>
Total operating revenue	<u>4,370,329</u>
Operating expenses:	
Nursing services	1,535,772
Ancillary services	394,415
Dietary services	475,704
Housekeeping	199,366
Laundry service	115,639
Maintenance	310,146
Administrative and fiscal services	535,532
Employee benefits	693,318
Interest	20,459
Depreciation and amortization	97,224
Provision for bad debts	<u>24,798</u>
Total operating expenses	<u>4,402,373</u>
Loss from operations before County subsidy	(32,044)
Indirect costs and operating transfers from County	<u>403,460</u>
Income from operations after County subsidy	<u>371,416</u>
Non-operating revenue:	
Gain on settlement of workers' compensation claims	438,947
Interest	50,508
Other	<u>9,467</u>
Non-operating revenue	<u>498,922</u>
Excess of revenue over expenses	870,338
Retained earnings, beginning of year	<u>1,383,937</u>
Retained earnings, end of year	<u><u>\$ 2,254,275</u></u>

*See accompanying notes to financial statements and independent auditors' report.*

**COUNTY OF WARREN**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE**  
**YEAR ENDED DECEMBER 31, 2001**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Loss from operations before County subsidy	\$ (32,044)
Adjustments to reconcile loss from operations before County subsidy to net cash (used in) operating activities:	
Depreciation and amortization	97,224
Indirect services from County	248,189
Interest used for capital and related financing activities	20,459
Change in:	
Accounts receivable	414,641
Supplies	(83)
Prepaid expenses	(578,878)
Accounts payable	(36,876)
Due to/from third party payors	75,629
Accrued items	(6,522)
Due to/from County	(108,393)
Benefit and awards payable	(615,252)
Total adjustments	(489,862)
Net cash (used in) operating activities	(521,906)

**CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES**

Transfer from County	155,271
Non-operating activities	8,648
Net cash provided by non-capital financing activities	163,919

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Proceeds from sale of assets	1,335
Principal payments on serial bonds	(156,784)
Interest payments	(20,459)
Capital expenditures	(93,380)
Net cash (used in) capital and related financing activities	(269,288)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment and other income	50,508
Net change in assets whose use is limited	4,218
Net cash provided by investing activities	54,726

NET DECREASE IN CASH	(572,549)
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CASH - BEGINNING OF YEAR	1,337,875
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CASH - END OF YEAR	\$ 765,326
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*See accompanying notes to financial statements and independent auditors' report.*

**COUNTY OF WARREN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001**

**Note 1. Summary of Significant Accounting Policies**

County of Warren, New York (the "County") was established in 1813. The County is governed by County law and other general laws of the State of New York. The governing body consists of 20 supervisors. The chairman of the board of supervisors, elected by the board each year, is the chief executive officer of the County. The County treasurer, elected for a four-year term, is the chief fiscal officer of the County. The County clerk, sheriff, and district attorney are constitutional officials and are elected in accordance with constitutional provisions.

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

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

*Reporting Entity*

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

The decision to include a potential component unit in the County reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the County has determined that the Warren County Local Development Corporation (the "LDC"), the Warren Tobacco Asset Securitization Corporation (the "TASC"), and the Warren County Soil and Water Conservation District (the "District") are component units and their activities have been included in the financial reporting entity (see Note 14).

Component units of the County include the following:

Warren County Local Development Corporation (LDC) – This component unit was established to promote the economic development of the County.

Warren Tobacco Asset Securitization Corp. (TASC) – This component unit was established during 2001 to purchase 50% of the County's tobacco settlement revenue stream due from the participating tobacco manufacturers.

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



**COUNTY OF WARREN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001**

**Note 1. Summary of Significant Accounting Policies (Cont.)**

*Reporting Entity (Cont.)*

Various joint ventures entered into between the County and other state and local governmental entities (see Note 15) are excluded from the reporting entity.

*Basis of Presentation - Fund Accounting*

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

**Governmental Fund Types**

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

**General Fund**

The general fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds**

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted for specified purposes. The County maintains the following special revenue funds:

- ?? Special Grant Fund - Established to account for the use of federal monies received under the Job Training Partnership Act and Community Development Act.
- ?? County Road Fund - Established to account for revenue and expenditures related to the construction and maintenance of County roads in accordance with New York State laws.
- ?? Road Machinery Fund - Established to account for revenue and expenditures related to the purchase, repair, maintenance, and storage of highway machinery, tools, and equipment in accordance with New York State laws.
- ?? Risk Retention Fund - Established to account for revenue and expenditures related to the unemployment self-insurance program.

**COUNTY OF WARREN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2001**

**Note 1. Summary of Significant Accounting Policies (Cont.)**

*Basis of Presentation - Fund Accounting (Cont.)*

Special Revenue Funds (Cont.)

- ?? Workers' Compensation Fund - Established to account for revenue and expenditures related to the workers' compensation self-insurance program. The County has elected not to account for this fund as an enterprise fund.
- ?? Refuse and Garbage Fund - Established to account for revenue and expenditures associated with recycling and waste management programs.
- ?? Sewer Fund - Established to account for revenue and expenditures related to operation of an industrial park sewer district.

Capital Projects Fund

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).

**Proprietary Fund Type**

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

Enterprise Fund

The enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body had decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The County maintains an enterprise fund to account for the Westmount Health Facility which is a New York State licensed, 80-bed skilled nursing and health related facility.

**Fiduciary Fund Types**

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

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

**COUNTY OF WARREN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2001**

**Note 1. Summary of Significant Accounting Policies (Cont.)**

*Basis of Presentation - Fund Accounting (Cont.)*

**Account Groups**

Account groups are used to establish accounting control and accountability for the County's general fixed assets and general long-term obligations as follows:

General Fixed Assets Account Group - This account group is established to account for fixed assets of the County, other than those accounted for in the proprietary fund type.

General Long-Term Debt Account Group - This account group is established to account for all long-term debt of the County, other than those accounted for in the proprietary fund type.

*Basis of Accounting and Measurement Focus*

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

In applying the susceptible-to-accrual concept to state and federal aid, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of this revenue. In one, monies must be expended on the specific purpose or project before any amounts are recorded as revenue by the County; therefore, revenue is recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are generally reflected as revenue at the time of receipt.

Sales taxes collected and held by the state at year-end on behalf of the County are also recognized as revenue. Other revenue, except for property taxes (see note 4), is recorded when received in cash because they are generally not measurable until actually received.

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

**COUNTY OF WARREN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2001**

**Note 1. Summary of Significant Accounting Policies (Cont.)**

*Basis of Accounting and Measurement Focus (Cont.)*

The enterprise fund applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board, Accounting Principles Board Opinions, Accounting Research Bulletins, and the AICPA Audit and Accounting Guide, "Health Care Organizations".

*Budgetary Data*

General Budget Process

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

Budget Basis of Accounting

Budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

County board of supervisors has amended the 2001 budgets, as follows:

	<u>General Fund</u>	<u>Special Revenue Funds</u>
Original adopted budget	\$57,389,357	\$12,528,192
Encumbrances carried forward	238,705	331,178
Appropriation adjustments	<u>14,259,089</u>	<u>294,404</u>
Amended budget	<u>\$71,887,151</u>	<u>\$13,153,774</u>

**COUNTY OF WARREN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001**

**Note 1. Summary of Significant Accounting Policies (Cont.)**

*Budgetary Data (Cont.)*

Certain special revenue funds have not been included in the comparison because they do not have legally authorized (appropriated) budgets. The actual activity for these unbudgeted funds, is provided in order to reconcile the total combined balances of the special revenue funds and is as follows:

	<u>Revenue</u>	<u>Expenditures</u>	<u>Encumbrances at December 31, 2001</u>
Total for funds included in budget comparison	\$13,644,732	\$12,810,065	\$(505,417)
Funds not in budget comparison:			
Special grant fund	1,402,784	1,405,713	(84,627)
Sewer fund	3,409	7,339	0
Risk retention fund	31,874	427,325	0
Workers' comp. fund	<u>2,587,895</u>	<u>957,246</u>	<u>0</u>
Total for funds included in financial statements	<u>\$17,670,694</u>	<u>\$15,607,688</u>	<u>\$(590,044)</u>

*Encumbrances*

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

*Use of Estimates*

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

*Cash*

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

**COUNTY OF WARREN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2001**

**Note 1. Summary of Significant Accounting Policies (Cont.)**

*Investments*

Component unit investments are stated at fair value, which approximates cost and consists of:

Time deposits	\$283,922
Commercial paper	<u>406,764</u>
	<u>\$690,686</u>

All time deposits and commercial paper are collateralized by securities held by an agent in the component unit's name.

*Inventories*

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

*Fixed Assets*

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group. These fixed assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems have not been capitalized. Such assets are normally immovable and of value only to the County. Therefore, the purpose of stewardship for these items is satisfied without recording these assets. Depreciation is not provided on general fixed assets nor has interest been capitalized.

Leases that transfer all rights and risks of ownership are capitalized as an asset in the general fixed account group and a liability is reflected in the general long-term debt account group at the present value of the minimum lease payments based on interest rates implicit in the leases, which approximates cost.

*Fixed Assets - Enterprise Fund*

Fixed assets are stated at cost. Expenditures for additions, renewals, and betterments are capitalized; expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed on the straight-line method over the estimated useful lives of the assets as follows:

Land improvements	5-15 years
Buildings	40 years
Equipment	3-20 years

**COUNTY OF WARREN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001**

**Note 1. Summary of Significant Accounting Policies (Cont.)**

*Fixed Assets - Enterprise Fund (Cont.)*

Leases that transfer all rights and risks of ownership are capitalized as an asset and liability at the present value of the minimum lease payments based on interest rates implicit in the leases, which approximates cost. Equipment under capital leases is amortized on a straight-line method over the estimated useful life of the equipment and the amortization expense is included with depreciation expense on owned assets.

*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 in the general long-term debt account group 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 GASB 16.

*Post-Retirement 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. The County recognizes the cost of providing these benefits as the premiums are paid. The costs recognized in 2001 amounted to \$847,170 for 335 employees. The amount of the County's obligation for future post-retirement premiums has not been quantified.

*Non-Monetary Transactions*

According to the policies and procedures established by the United States Department of Agriculture, the County has recorded revenue and expenditures relating to property in lieu of money received during the year, primarily food.

**COUNTY OF WARREN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2001**

**Note 1. Summary of Significant Accounting Policies (Cont.)**

*Total Column (Memorandum Only)*

The total column on the combined statement of revenue, expenditures, and changes in fund balances is captioned "memorandum only" to indicate that it is presented only to aid in financial analysis. Interfund eliminations have not been made in the aggregation of this data and it is, therefore, not comparable to a consolidation.

**Note 2. Cash and Cash in Time Deposits**

The County investment policies are governed by the statutes of the State of New York (State). In addition, the County has its own written investment policy. County monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The County treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Government and its agencies and obligations of the State of New York. At year-end and during 2001, the County limited its investments to demand accounts and certificates of deposit. The carrying amount of cash and cash in time deposits (including amounts classified as restricted assets) at December 31, 2001, is comprised of bank accounts (\$20,648,568), petty cash (\$4,575), and certificates of deposit (\$26,790,194).

Collateral is required for demand deposits and certificates of deposit for all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

As of December 31, 2001, all bank accounts and certificates of deposit were covered 100% by federal depository insurance or collateral held by the depository bank's trust department or its agent in the County's name.

**Note 3. Pooled Bank Account**

The County has deposited cash in a pooled checking account and maintains accounting records to identify the portion of the balance attributable to each fund. At December 31, 2001, the County's funds had the cash balances shown in the following schedule in the pooled bank account.

<u>Fund</u>	<u>Cash Balance</u>
General fund	\$ 442,006
Special revenue fund	448,144
Agency fund	96,107
Capital projects fund	<u>385,064</u>
	<u>\$1,371,321</u>



**COUNTY OF WARREN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001**

**Note 4. Restricted Assets - Cash and Cash in Time Deposits**

Restricted assets consist of the following:

<u>Fund</u>	<u>Restricted Balance</u>	<u>Restriction</u>
General	<u>\$ 586,716</u>	Reserve for capital project acquisitions, construction, and reconstruction.
Special revenue	\$ 165,855	Unemployment insurance
	<u>5,339,908</u>	Workers' compensation insurance
Total special revenue	<u>\$ 5,505,763</u>	
Capital projects	<u>\$ 568,845</u>	Reserve for capital project acquisitions, construction and reconstruction.
Enterprise	\$ 30,757	Patient funds
	<u>2,813</u>	Bond coupon account
Total enterprise	<u>\$ 33,570</u>	

**Note 5. Property Taxes**

Real property tax levies are fully accrued at the beginning of the fiscal year and are received and accounted for in the general fund. Accruals for amounts "due other funds" are recorded in the general fund for the portion of the tax revenue allocated to other funds. The current year's property taxes are levied and the prior year's unpaid school 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 and Village of Lake George. These municipalities assess and collect all city and County taxes on property within the municipalities and serve as enforcement agent for tax liens on such property. County taxes collected by these municipalities 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 (\$7,722,389) 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 (\$3,591,467) is not considered available under the modified accrual basis of accounting and is included in liabilities as deferred revenue.

**COUNTY OF WARREN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001**

**Note 6. Loans Receivable**

In an effort to provide affordable new homes for low and moderate income families in the County, the County applied for and was awarded, three grants for "Scattered Sites New Construction Projects".

Under the terms of the first grant, eligible new homeowners receive a \$15,000 grant and a \$10,000 deferred loan using Community Development Block Grant Funds. The entire loan will be forgiven if the property is retained for a period of ten years; however, a pro-rated share will be payable if the property is sold prior to the tenth year. The balance of these loans at December 31, 2001, was \$7,754, maturing at various dates in 2002 and 2003, non-interest bearing, and collateralized by second liens.

Similar to the first grant, eligible homeowners receive a \$25,000 deferred loan from two Community Development Block Grants with the same repayment terms. The County utilizes the LDC to disburse these loans and any repayments are made to the LDC. The balance of these loans at December 31, 2001, is \$710,752. These loans mature at various dates in 2003 through 2005, are non-interest bearing, and are collateralized by second liens.

**Note 7. State and Federal Receivables**

State and federal receivables are comprised of the following:

<u>Fund</u>	<u>Balance</u>	<u>Description</u>
General	<u>\$6,677,091</u>	Claims for reimbursement of expenditures in administering various health and social service programs net of related advances.
Special revenue	<u>\$ 263,739</u>	Claims for reimbursement of expenditures for job training.
Capital projects	<u>\$3,875,835</u>	Claims for reimbursement of expenditures for various capital projects.

**Note 8. Medicaid Services Accrual**

The New York State Department of Social Services processes payments for Medicaid services through a third-party contractor. The State subsequently deducts the County's share of expenditures from an escrow account as established by State law and regulations. The County's share of estimated services that have been provided, but are unpaid and/or unbilled at December 31, 2001, is \$1,202,514. This amount has been reported as an expenditure and offset to state and federal receivables in the general fund.

**COUNTY OF WARREN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2001**

**Note 9. Fixed Assets**

A summary of changes in fixed assets is as follows:

General fixed asset account group:	Balance at January 1, 2001	Additions	Deletions	Balance at December 31, 2001
Land and land improvements	\$ 3,670,795	\$ 95,560	\$ 10,837	\$ 3,755,518
Buildings	15,096,450	38,073	0	15,134,523
Machinery and equipment	<u>12,502,333</u>	<u>1,387,542</u>	<u>1,136,868</u>	<u>12,753,007</u>
	<u>\$31,269,578</u>	<u>\$1,521,175</u>	<u>\$1,147,705</u>	<u>\$31,643,048</u>

  

Enterprise fund:	Balance at January 1, 2001	Additions	Deletions	Balance at December 31, 2001
Land and land improvements	\$ 56,066	\$ 0	\$ 0	\$ 56,066
Buildings	2,048,968	39,929	0	2,088,897
Machinery and equipment	<u>1,909,934</u>	<u>68,452</u>	<u>44,475</u>	<u>1,933,911</u>
	4,014,968	108,381	44,475	4,078,874
Less: Accumulated depreciation	<u>2,731,030</u>	<u>162,333</u>	<u>94,934</u>	<u>2,798,429</u>
	<u>\$ 1,283,938</u>	<u>\$ (53,952)</u>	<u>\$ (50,459)</u>	<u>\$ 1,280,445</u>

**Note 10. Debt**

A summary of changes in debt is as follows:

General long-term account group:	Balance at January 1, 2001	Issued	Retired	Balance at December 31, 2001
Serial bonds	\$ 5,535,000	\$ 0	\$1,080,000	\$ 4,455,000
Capital lease obligations	53,697	59,100	14,688	98,109
Compensated absences	2,081,760	86,244	0	2,168,004
Self-insurance claims payable	<u>1,986,789</u>	<u>489,503</u>	<u>0</u>	<u>2,476,292</u>
Total general long-term debt	9,657,246	634,847	1,094,688	9,197,405
Capital projects:				
Bond anticipation notes	289,377	0	144,689	144,688
Enterprise fund:				
Serial bonds	<u>320,351</u>	<u>0</u>	<u>156,783</u>	<u>163,568</u>
Total debt	<u>\$10,266,974</u>	<u>\$ 634,847</u>	<u>\$1,396,160</u>	<u>\$ 9,505,661</u>

**Bond Anticipation Notes:**

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

**COUNTY OF WARREN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2001**

**Note 10. Debt (Cont.)**

*Bond Anticipation Notes (Cont.):*

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

Bond anticipation notes are comprised of the following at December 31, 2001:

<u>Description</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Appropriated Redemption in 2002 Budget</u>
Capital projects, due December 2002	<u>\$144,688</u>	2.2%	<u>\$144,688</u>

**Bonds:**

Bonds are comprised of the following at:

<u>Description</u>	<u>Date Issued</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Balance at December 31, 2001</u>
Enterprise fund:					
Westmount Computer Records	6/30/98	\$33,919	4.50%	1999-2003	\$ 13,568
County Infirmary Serial Bonds	12/01/82	<u>3,000,000</u>	9.375%	1983-2000	<u>150,000</u>
Total Enterprise Revenue Fund		<u>3,033,919</u>			<u>163,568</u>
General long-term debt account group:					
Public Improvement Serial Bonds 1992	9/15/92	2,850,000	3.24%-5.25%	1995-2002	300,000
Public Improvement Serial Bonds 1993A	11/15/93	6,500,000	4.4%	1999-2008	3,150,000
Public Improvement Serial Bonds 1994A	10/14/94	770,000	5.37%	1995-2004	270,000
Public Improvement Serial Bonds 1994B	12/15/94	<u>2,465,000</u>	5.75%	1995-2004	<u>735,000</u>
Total general long-term debt account group		<u>12,585,000</u>			<u>\$4,455,000</u>
Total bonds		<u>\$15,618,919</u>			<u>\$4,618,568</u>

The County's future bond debt service requirements are as follows:

	<u>Enterprise Fund</u>		<u>General Long-Term Debt Account Group</u>		<u>Total Debt Service</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2002	\$156,784	\$7,489	\$1,085,000	\$203,359	\$1,452,632
2003	6,784	153	785,000	156,764	948,700
2004	0	0	785,000	118,000	903,000
2005	0	0	450,000	79,200	529,200
2006	0	0	450,000	59,400	509,400
2007-2008	<u>0</u>	<u>0</u>	<u>900,000</u>	<u>59,400</u>	<u>959,400</u>
	<u>\$163,568</u>	<u>\$7,642</u>	<u>\$4,455,000</u>	<u>\$676,123</u>	<u>\$5,302,332</u>

**COUNTY OF WARREN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001**

**Note 10. Debt (Cont.)**

Total interest expenditures for the year ended December 31, 2001, were \$279,343.

**Note 11. Deferred Revenue**

Deferred revenue consists of the following at December 31, 2001:

General fund:

Property tax revenue	\$ 3,591,467
Miscellaneous grant revenue	83,002
State and federal social services advances	155,040
ACC master plan modification (Note 18)	<u>589,360</u>
	<u>\$ 4,418,869</u>

Special revenue fund:

Workers' compensation	\$ 79,211
New home ownership loans	7,754
County road fund	1,619
Grant revenue	<u>127,295</u>
	<u>\$ 215,879</u>

**Note 12. Gain on Settlement of Workers' Compensation Claims (Proprietary Fund)**

In 2001, the Westmount Health Facility determined that the liability for workers' compensation claims payable as of the beginning of 2000 had not been recognized. The financial statements as of and for the year ended December 31, 2000, were restated to give effect to the recognition of this obligation, based on amounts billed to Westmount Health Facility by the County. The amount of this restatement was an increase in benefits and awards payable of approximately \$1,054,000 as of December 31, 2000, and additional employee benefits of approximately \$289,000 for the year then ended. Retained earnings as of December 31, 1999 were reduced by approximately \$765,000 as a result of this error correction. During 2001, the County negotiated settlements relating to these obligations and the facility recognized a related gain. Amounts due from the County in connection therewith have been classified as prepaid workers' compensation.

**Note 13. Reserves**

*General Fund*

- ?? Encumbrances - An amount reserved to satisfy purchase orders and other commitments for which goods and/or services will be received in the following year.
- ?? Inventories - An amount reserved against the value of inventory, which is not an available financial resource.

**COUNTY OF WARREN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001**

**Note 13. Reserves (Cont.)**

*General Fund (Cont.)*

?? Prepaid Retirement - An amount reserved against the value of prepaid retirement, which is not an available financial resource.

?? Special -

STOP DWI - Used to account for excess revenue over expenditures as a result of the Special Traffic Options Program for Driving While Intoxicated. The balance of this account at December 31, 2001, is \$133,559 and will be used for future expenditures of the Special Traffic Program.

Miscellaneous - Used to account for excess revenue over expenditures for various programs and prepaid, long-term contracts. The balance of this account at December 31, 2001, is \$325,835.

Equipment Reserve - Established July 15, 1983, pursuant to Section 6-c of the General Municipal Law, for the purchase of DPW equipment and other County vehicles. Reserve balance at December 31, 2001, was \$191,389.

Solid Waste Management Reserve - Established in 1988 pursuant to Section 6-c of the General Municipal Law to finance landfill closures within the County. Reserve balance at December 31, 2001, was \$119,725.

Reserve for Rehabilitation of County Buildings - Established in 1981 pursuant to Section 6-c of the General Municipal Law and later redefined as a "Capital Reserve" in 1984. The balance at December 31, 2001, was \$ 45,674.

Gurney Lane Annex Reserve - Established December 31, 1987, pursuant to Section 6-c of the General Municipal Law to finance the renovation of the former CAA Building. Reserve balance at December 31, 2001, was \$31,500.

Boathouse Construction on Lake George Reserve - Established December 15, 1989, pursuant to Section 6-c of the General Municipal Law, to finance construction of a boathouse on Lake George. Reserve balance at December 31, 2001, was \$80,000.

Airport Planning/Improvement Reserve - Established December 15, 1989, pursuant to Section 6-c of the General Municipal Law, to finance planning and improvement of the airport. Reserve balance at December 31, 2001, was \$78,129.

Reserve for Snow and Ice Control and Fuel Storage Facilities - Established December 15, 1989, pursuant to Section 6-c of the General Municipal Law, to finance snow and ice control and fuel storage facilities. Reserve balance at December 31, 2001, was \$40,100.

Fish Hatchery Reserve - Established December 15, 1989, pursuant to Section 6-c of the General Municipal Law, to finance fiberglass fish tanks. Reserve balance at December 31, 2001, was \$198.

**COUNTY OF WARREN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2001**

**Note 13. Reserves (Cont.)**

*Special Revenue Funds*

- ?? Encumbrances - An amount reserved to satisfy purchase orders and other commitments for which goods and/or services will be received in the following year.
- ?? Inventories - An amount reserved against the value of inventory, which is not an available financial resource.
- ?? Prepaid Retirement - An amount reserved against the value of prepaid retirement, which is not an available financial resource.
- ?? County road fund – Fund balance designated for specific projects \$ 674,288  
Workers' compensation fund – Contributed reserve \$5,046,319  
Risk retention fund – Unemployment reserve \$ 117,785

*Capital Projects Fund*

- ?? Encumbrances - An amount reserved to satisfy purchase orders and other commitments for which goods and/or services will be received in the following year.
- Capital projects – Fund balance designated for specific projects \$ 128,818  
Debt service – Fund balance designated for debt service related  
to capital project financing 24,688  
Total \$ 153,506

**Note 14. Retirement Benefits**

*Plan Description:*

The County participates in the New York State and Local Employees' Retirement System (ERS), and the Public Employees' Group Life Insurance Plan (Systems). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits, as well as death and disability benefits. Obligations of employers and employees to contribute and 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.

**COUNTY OF WARREN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2001**

**Note 14. Retirement Benefits (Cont.)**

*Funding Policy:*

The Systems are non-contributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

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

	<u>ERS</u>
2001	<u>\$392,901</u>
2000	<u>\$551,635</u>
1999	<u>\$304,894</u>

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

Since 1989, the System's billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 1988 and 1989 (which otherwise were to have been paid on June 30, 1989 and 1990, respectively) over a 17-year period, with an 8.5% interest factor added. Local governments were given the option to prepay this liability. County of Warren elected to make the full payment on December 15, 1989.

**Note 14. Component Units**

Segment information of the one component units included in the County's financial statements as of December 31, 2001, is as follows:

	<u>TASC</u>	<u>LDC</u>	<u>Soil and Water District</u>	<u>Total</u>
Assets	\$6,267,290	\$821,282	\$125,301	\$7,213,873
Liabilities	<u>5,820,333</u>	<u>448,334</u>	<u>0</u>	<u>6,268,667</u>
Equity	<u>\$ 446,957</u>	<u>\$372,948</u>	<u>\$125,301</u>	<u>\$ 945,206</u>
Operating revenue	\$ 3,899	\$ 2,224	\$ 35,301	\$ 41,424
Federal aid	0	102,744	0	102,744
State aid	0	0	127,398	127,398
Transfers from County and revenue from local source	0	0	133,950	133,950
Proceeds from debt	<u>5,475,554</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total revenue	5,479,453	104,968	296,649	5,881,070
Operating expenses	<u>5,032,499</u>	<u>3,646</u>	<u>291,682</u>	<u>5,327,827</u>
Excess of revenue over expenditures	<u>\$ 446,954</u>	<u>\$101,322</u>	<u>\$ 4,967</u>	<u>\$ 553,243</u>



**COUNTY OF WARREN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001**

**Note 15. Joint Ventures**

*Adirondack Community College:*

The operation of Adirondack Community College is undertaken jointly with Washington County, under the provisions of Article 126 of the Education Law, and is excluded from the financial statements. As a joint venture, separate financial statements are issued by the college. The financial participation of the two counties in the college is as follows:

	<u>Washington County</u>	<u>Warren County</u>
Operating costs	<u>\$11,063,480</u>	<u>\$8,288,418</u>

The following is a summary of financial information included in audited financial statements issued for the joint venture for the year ended August 31, 2001.

Total assets		<u>\$ 7,720,296</u>
Total liabilities		<u>\$ 4,457,170</u>
Joint venture equity		<u>\$ 3,263,126</u>
Total revenue		<u>\$19,500,960</u>
Total expenditures		<u>\$19,351,898</u>
Joint venture equity consists of the following:		
Warren County's equity	55.62%	\$ 1,814,889
Washington County's equity	34.21%	1,116,430
Reserved or restricted	<u>10.17%</u>	<u>331,807</u>
	<u>100.00%</u>	<u>\$ 3,263,126</u>

*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 general purpose financial statements. As a joint venture, separate financial statements are issued by the board.

The following is a summary of financial information included in the compiled financial statements issued for the joint venture for the year ended December 31, 2001:

Total assets	<u>\$2,134,534</u>
Total liabilities	<u>\$ 91,604</u>
Joint venture equity	<u>\$2,042,930</u>
Total revenue	<u>\$ 689,388</u>
Total expenditures	<u>\$ 680,087</u>

**COUNTY OF WARREN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001**

**Note 15. Joint Ventures (Cont.)**

*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 general purpose financial statements. As a joint venture, separate financial statements are issued for the corporation.

The following is a summary of financial information included in the audited financial statements issued for the joint venture for the year ended December 31, 2001:

Total assets	<u>\$1,059,643</u>
Total liabilities	<u>\$1,117,989</u>
Joint venture equity	<u>\$ (58,346)</u>
Total revenue	<u>\$ 54,117</u>
Total expenditures	<u>\$ 120,946</u>

*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 following is a summary of financial information included in the audited financial statements issued for the joint venture for the year ended December 31, 2001.

Total assets	<u>\$678,681</u>
Total liabilities	<u>\$ 13,612</u>
Retained earnings	<u>\$665,069</u>
Total revenue	<u>\$297,331</u>
Total expenses	<u>\$337,544</u>

**Note 16. Operating Transfers**

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

**COUNTY OF WARREN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001**

**Note 16. Operating Transfers (Cont.)**

Individual interfund receivable and payable balances arising from these transactions as of December 31, 2001, were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General fund	\$ 598,105	\$1,760,578
Special revenue funds	254,201	88,303
Capital projects fund	1,500,238	12,952
Enterprise fund	113,021	184,298
Fiduciary funds	<u>104,610</u>	<u>524,044</u>
	<u>\$2,570,175</u>	<u>\$2,570,175</u>

Included in "Other financing sources (uses): Operating transfers out" is \$155,271 transferred to the Westmount Health facility, an enterprise fund reported in the proprietary fund type.

**Note 17. Community Development - Small Cities Program**

Information on Community Development - Small Cities Program grants for the year ended December 31, 2001 is as follows:

<u>Grant</u>	<u>Grantee</u>		<u>Expenditures</u>	<u>Program Revenue</u>	<u>State Revenue</u>	<u>Federal Revenue</u>	<u>Total Revenue</u>
CD07	Warren County	(1)	\$ 3,262	\$ 333	\$ 0	\$ 0	\$ 333
CD34	Warren County		14,249	0	0	14,249	14,249
CD35	Warren County		7,051	0	0	7,051	7,051
CD36	Warren County		163,933	0	0	163,933	163,933
CD39	Warren County		3,757	0	0	3,757	3,757
CD50	Warren County		210,645	0	0	210,645	210,645
CD51	Warren County		13,000	0	0	13,000	13,000
CD52	Warren County		21,381	0	0	21,381	21,381
CD53	Warren County		<u>5,510</u>	<u>0</u>	<u>\$ 5,510</u>	<u>0</u>	<u>5,510</u>
			<u>\$442,788</u>	<u>\$ 333</u>	<u>\$ 5,510</u>	<u>\$434,016</u>	<u>\$439,859</u>

(1) Program income of \$18,564 has been accumulated but not expended as of December 31, 2001.

**COUNTY OF WARREN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001**

**Note 18. 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.

*Resource Recovery Facility:*

The Counties of Warren and Washington Industrial Development Agency (the "IDA") entered into an agreement with Adirondack Resource Recovery Associates ("ARRA") to construct a solid waste to energy facility (the "Facility") in the Village of Hudson Falls, Washington County, New York.

The County of Warren has entered into an Intermunicipal Waste Disposal Agreement with Washington County whereby the County agreed to deliver all of the processible solid waste generated in the County to the Facility upon completion of construction. Simultaneously, Washington County entered into an agreement with the IDA whereby Washington County agreed to deliver to the Facility, upon completion of construction, all of the processible solid waste generated in Warren and Washington Counties. The Facility was completed and commenced commercial operation on February 15, 1992.

Upon achieving commercial operation of the Facility, the waste disposal contract between the IDA and Washington County required that Washington County pay monthly disposal payments to a project trustee. In accordance with the Intermunicipal Waste Disposal Agreement between the County of Warren and Washington County, the County of Warren is obligated to reimburse Washington County for its pro-rata share of the disposal payments based on the ratio of waste tonnage delivered by each county to the Facility in the preceding year. For the period January 1, 2001 through December 31, 2001, the County incurred disposal costs of \$3,887,453.

In January 1993, Washington County commenced a lawsuit against the IDA and ARRA, Foster Wheeler Hudson Falls, Inc., Adirondack Resource Recovery Corporation, The Bank of New York, William L. Nikas, and Robert R. Barber. The action sought to annul the waste disposal contract entered into between Washington County and the IDA and damages. With regard to the answer submitted in the proceeding by ARRA and Foster Wheeler Hudson Falls, Inc., it is noted that the same interposed counterclaims against Washington County and Warren County as additional counterclaim defendant for declaratory judgment, specific performance, unjust enrichment, Quantum Merit, and promissory estoppel. Warren County answered and interposed a counterclaim concerning monies paid by Warren County. Washington County's complaint was dismissed in the lower court. By stipulation and order filed March 17, 2000, all counterclaims and crossclaims of the various defendants were deemed moot, subject to reinstatement should the plaintiff's appeal be successful in whole or in part. The matter was appealed to the United States Court of Appeals for the Second Circuit which affirmed the dismissal. It is noted that the court stated in its decision (among other things), "Our affirmance of that procedural ruling leaves plaintiff free to pursue whatever non-federal claims might be cognizable in state court". Upon information and belief, Washington County has authorized the commencement of a state court action. Warren County has not been served with any claims or papers in that action.

**COUNTY OF WARREN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001**

**Note 18. Commitments and Contingencies (Cont.)**

*Resource Recovery Facility (Cont.):*

In addition to the foregoing, an action was commenced in 1998 by Robert L. Schulz and John Salvador, Jr. against the New York State Legislature, Joseph Bruno, Senate Majority Leader, Sheldon Silver, Assembly Speaker, the Washington County Board of Supervisors, Peter Tolinsky, Chairman, the Warren County Board of Supervisors, Louis Tessier, Chairman, and the Warren and Washington Counties Industrial Development Agency, Bruce Ferguson, Chairman. The verified complaint-petition sets forth the following causes of action (denoted claims), "Chapter 682 of the Laws of 1985 is unconstitutional", "...the 1998 contracts are unconstitutional", "...the Warren County Budget Note resolutions of 1998 are unconstitutional", "...the Home Rule resolutions of 1998 are unconstitutional", and "State Finance Law Section 1223-b(1) is unconstitutional". In connection with the claims, the plaintiffs argue that they were entitled to certain injunctive relief. The verified complaint-petition was dismissed by decision and order of the Honorable Bernard J. Malone, Jr., Justice, Supreme Court in September of 1999. The plaintiffs, however, have filed an appeal to the Appellate Division Third Department and that court affirmed the lower court's decision except with regard to the causes of action against the County concerning the budget note and both Warren and Washington counties with regard to the Sales Tax Intercept Municipal Home Rule Request Resolution on the basis the same could not be dismissed. With regard to the remaining matters, the County attorney advises that a motion for summary judgment dismissing these is anticipated to be made at some point. There is no insurance coverage providing a defense of indemnification in connection with this action.

*Environmental Remediation:*

In 1998, an action was brought by Warren County for a determination that Warren County holds title to certain parcels of real property by reason of tax sales occurring at various times from 1987 to 1994, free and clear of any interest by the defendants. Among the parcels included in the action was certain property located in the Town of Lake Luzerne. A Judgment and Order to Establish Title from Delinquent Taxes was granted by the Supreme Court on August 24, 1998. Since that time, Warren County has been advised that the New York State Department of Environmental Conservation is seeking the registration and testing of or the removal of three (3) petroleum storage tanks located on the aforementioned property. Apparently, this had been an ongoing issue and unknown to the County until during the year 2001. Warren County commenced a proceeding to vacate that portion of the aforementioned judgment that granted title to the Lake Luzerne property to Warren County and that matter is currently pending. Warren County is also in discussions with the State of New York concerning resolutions of the problem. At this time, without knowing whether contamination is present or not, it is difficult to estimate what the cost might be in connection with the potential remediation.

**COUNTY OF WARREN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001**

**Note 18. Commitments and Contingencies (Cont.)**

*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, 2001, there were 27 participants, including the County, who is responsible for administration of the plan and its reserves. Participant contributions, except for Westmount which are financed on a pay-as-you-go basis, are financed on an estimated claim basis with excess contributions transferred to the reserve at the end of the fiscal year. Liabilities are recorded when it is probable that a loss has been incurred and the amount of loss can be reasonably estimated. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using expected future investment yield assumptions of 3%. These liabilities are recorded at their present value of \$2,476,292 in the general long-term debt account group and \$197,908 in the special revenue fund, which represents the portion to be liquidated with expendable and available financial resources as of December 31, 2001. Benefits and awards expenditures for the year ended December 31, 2001, were \$ 769,886.

*Grant Programs:*

The County participates in a number of grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The County believes, based upon its review of current activity and prior experience, the amount of disallowances resulting from these audits, if any, will not be significant to the County's financial position or results of operations.

The County has entered into cooperation agreements with towns within the County under which the County's planning and community development department serves as full administrator of the town's community development grant program until the successful completion of the programs.

*Westmount Medicaid Reimbursement:*

As stated in Note 1, Medicaid revenue is recognized when earned based upon tentative rates which are subject to audit and retroactive adjustment. An audit of the Medicaid cost report for 2001 has not been commenced. It has been the position of the State of New York to audit each rate year, although these audits are usually performed several years after the fact. The final outcome of these audit settlements cannot be determined at this time.

In addition, each year's Medicaid rate includes a trend factor which is intended to compensate for inflation. The initial trend factor for each Medicaid rate year is subsequently adjusted based upon actual experience. Final trend factor adjustments, which may be positive or negative, cannot be determined at this time.

No provision has been made in these general purpose financial statements for future audit settlements or trend factor adjustments.

**COUNTY OF WARREN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001**

**Note 18. Commitments and Contingencies (Cont.)**

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

*Joint Venture:*

In July 1992, the board of trustees of Adirondack Community College approved a major five-year expansion project at an estimated cost of \$12 million. The State of New York (the "State") is expected to finance half the cost of the project. In 1995, the Warren County Board of Supervisors passed a resolution to establish a capital project to support 29% of the expansion costs, not to exceed \$3,480,000. In 1998, the Washington County Board of Supervisors passed a resolution reducing Warren County's commitment to \$2,291,000. The refund of contributions due to Warren County as a result of this budget amendment (\$753,941) is included in due from other governments. Total County expenditures for the project through 2001 totaled \$3,431,338.

*EPA Grant:*

In April 1995, the County received notification of grant approval in the amount of \$20 million from the United States Environmental Protection Agency. The grant funds are to be used to upgrade sanitary sewer systems in the Lake George Basin area. The grant agreement requires the County to contribute \$2 million to the project, or 10% of project costs. Total County expenditures for the project through 2001 totaled \$10,238,104.

*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. In 2001, the County of Warren received an \$865,697 settlement which is reported in the general fund as miscellaneous local sources.

In August 2001, the County sold one-half of its right to receive payments under the MSA to the Warren Tobacco Asset Securitization Corporation for \$4.8 million.

*Construction Commitments*

As of December 31, 2001, the County has approximately \$10,800,000 of remaining work on construction projects for which contracts have been entered into.

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**FORM OF BOND COUNSEL'S OPINION**

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LEGAL OPINION

County of Warren,  
State of New York

COUNTY OF WARREN, NEW YORK  
\$23,000,000 PUBLIC IMPROVEMENT (SERIAL) BONDS, 2003

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of an issue of \$23,000,000 Public Improvement (Serial) Bonds, 2003 (the "Obligations"), of the County of Warren, State of New York (the "Obligor"), dated July 24, 2003, initially issued in registered form in denominations such that one bond shall be issued for each maturity of bonds in such amounts as hereinafter set forth, bearing interest at the rate of \_\_\_\_\_ per centum (\_\_\_\_%) per annum, payable on January 15, 2004 and semi-annually thereafter on July 15 and January 15, and maturing in the amount of \$1,150,000 on July 15 in each of the years 2004 to 2023, both inclusive.

Bonds maturing on or before July 15, 2013 are not subject to redemption prior to maturity. Bonds maturing on or after July 15, 2014 are subject to redemption, at the option of the County, in whole or in part, prior to maturity, on July 15, 2013 and any date thereafter at a redemption price of par, plus accrued interest to the redemption date.

We have examined:

- (1) the Constitution and statutes of the State of New York;
- (2) the Internal Revenue Code of 1986, including particularly Sections 103 and 141 through 150 thereof, and the applicable regulations of the United States Treasury Department promulgated thereunder (collectively, the "Code");
- (3) an arbitrage certificate executed on behalf of the Obligor which includes, among other things, covenants, relating to compliance with the Code, with the owners of the Obligations that the Obligor will, among other things, (i) take all actions on its part necessary to cause interest on the Obligations not to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Obligations and investment earnings thereon, making required payments to the Federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (ii) refrain from taking any action which would cause interest on the Obligations to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, refraining from spending the proceeds of the Obligations and investment earnings thereon on certain specified purposes (the "Arbitrage Certificate"); and
- (4) a certificate executed on behalf of the Obligor which includes, among other things, a statement that compliance with such covenants is not prohibited by, or violative of, any provision of local or special law, regulation or resolution applicable to the Obligor.

We also have examined a certified copy of proceedings of the finance board of the Obligor and other proofs authorizing and relating to the issuance of the Obligations, including the form of the Obligations. In rendering the opinions expressed herein we have assumed the accuracy and truthfulness of all public records, documents and proceedings, including factual information, expectations and statements contained therein, examined by us which have been executed or certified by public officials acting within the scope of their official capacities, and have not verified the accuracy or truthfulness thereof. We also have assumed the genuineness of the signatures appearing upon such public records, documents and proceedings and the certifications thereof.

In our opinion:

- (a) The Obligations have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the Obligor, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Obligations and interest thereon, without limitation as to rate or amount; provided, however, that the enforceability (but not the validity) of the Obligations: (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights, and (ii) may be subject to the exercise of judicial discretion in appropriate cases.
- (b) The Obligor has the power to comply with its covenants with respect to compliance with the Code as such covenants relate to the Obligations; provided, however, that the enforceability (but not the validity) of such covenants may be

limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights.

- (c) Interest on the Obligations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is excluded from adjusted gross income for purposes of New York State and New York City personal income taxes. Interest on the Obligations is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Obligations.

Certain agreements, requirements and procedures contained or referred to in the Arbitrage Certificate and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Obligations) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Obligation or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Obligations has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Arbitrage Certificate, including without limitation covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Obligations to be included in gross income for federal income tax purposes or adjusted gross income for purposes of personal income taxes imposed by the State of New York and the City of New York. We call attention to the fact that the rights and obligations under the Obligations and the Arbitrage Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against municipal corporations such as the Obligor in the State of New York. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, or waiver provisions contained in the foregoing documents.

The scope of our engagement in relation to the issuance of the Obligations has extended solely to the examination of the facts and law incident to rendering the opinions expressed herein. Such opinions are not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the Obligor, together with other legally available sources of revenue, if any, will be sufficient to enable the Obligor to pay the principal of or interest on the Obligations as the same respectively become due and payable. Reference should be made to the Official Statement prepared by the Obligor in relation to the Obligations for factual information which, in the judgment of the Obligor, could materially affect the ability of the Obligor to pay such principal and interest. While we have participated in the preparation of such Official Statement, we have not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, we express no opinion as to whether the Obligor, in connection with the sale of the Obligations, has made any untrue statement of a material fact or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

Very truly yours,

/s/ Orrick, Herrington & Sutcliffe LLP

**FORM OF MUNICIPAL BOND INSURANCE POLICY**

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Financial Guaranty Insurance  
Company  
125 Park Avenue  
New York, NY 10017  
(212) 312-3000  
(800) 352-0001

A GE Capital Company

## Municipal Bond New Issue Insurance Policy

<b>Issuer:</b>	<b>Policy Number:</b>
<b>Bonds:</b>	<b>Control Number:</b> 0010001
	<b>Premium:</b>

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to U.S. Bank Trust National Association, or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a Bond, the stated date

Financial Guaranty Insurance  
Company  
125 Park Avenue  
New York, NY 10017  
(212) 312-3000  
(800) 352-0001



A GE Capital Company

## Municipal Bond New Issue Insurance Policy

for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal and interest Due for Payment on such Bond. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. "Business Day" means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

A handwritten signature in cursive script, reading "Deborah M. Reif".

President

Effective Date:

Authorized Representative

U.S. Bank Trust National Association, acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

A handwritten signature in cursive script, appearing to be "JTB".

Authorized Officer



Financial Guaranty Insurance  
Company  
125 Park Avenue  
New York, NY 10017  
(212) 312-3000  
(800) 352-0001



A GE Capital Company

## Endorsement To Financial Guaranty Insurance Company Insurance Policy

Policy Number:

Control Number: 0010001

It is further understood that the term "Nonpayment" in respect of a Bond includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

A handwritten signature in cursive script, reading "Deborah M. Reif".

President

Effective Date:

Authorized Representative

Acknowledged as of the Effective Date written above:

A handwritten signature in cursive script, likely belonging to the authorized officer of the U.S. Bank Trust National Association.

Authorized Officer  
U.S. Bank Trust National Association, as Fiscal Agent

Financial Guaranty Insurance  
Company  
125 Park Avenue  
New York, NY 10017  
(212) 312-3000  
(800) 352-0001



A GE Capital Company

**Mandatory New York State  
Amendatory Endorsement  
To Financial Guaranty Insurance Company  
Insurance Policy**

**Policy Number:**

**Control Number:** 0010001

The insurance provided by this Policy is not covered by the New York Property/Casualty Insurance Security Fund (New York Insurance Code, Article 76).

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

A handwritten signature in black ink, reading "Deborah M. Reif". The signature is written in a cursive, flowing style.

**President**

**Effective Date:**

**Authorized Representative**

**Acknowledged as of the Effective Date written above:**

A handwritten signature in black ink, consisting of stylized initials and a surname, likely "JTB". The signature is written in a cursive, flowing style.

**Authorized Officer  
U.S. Bank Trust National Association, as Fiscal Agent**

Financial Guaranty Insurance  
Company  
115 Broadway  
New York, NY 10006  
(212) 312-3000  
(800) 352-0001



A GE Capital Company

**Mandatory New York State  
Amendatory Endorsement  
To Financial Guaranty Insurance Company  
Insurance Policy**

**Policy Number:**

**Control Number:** 0010001

Notwithstanding the terms and conditions in this Policy, it is further understood that there shall be no acceleration of payment due under such Policy unless such acceleration is at the sole option of Financial Guaranty.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

A handwritten signature in cursive script, reading "Deborah M. Reif".

**President**

**Effective Date:**

**Authorized Representative**

**Acknowledged as of the Effective Date written above:**

A handwritten signature in cursive script, likely belonging to the authorized officer.

**Authorized Officer**

**U.S. Bank Trust National Association, as Fiscal Agent**

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