

Moody's: Aaa  
Standard & Poor's: AAA  
Fitch: AA+  
(See "Ratings" herein)

**NEW ISSUE**

**SERIAL BONDS**

*In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, in the opinion of Bond Counsel, under existing statutes, interest on the Bonds is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York and the City of Yonkers. See also "Tax Matters" herein.*

**\$75,060,000**

**COUNTY OF WESTCHESTER, NEW YORK**

**GENERAL OBLIGATION SERIAL BONDS — 2004 SERIES C**

**Dated: November 1, 2004**

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

The Bonds will be issued in fully registered form and when issued will be registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as Securities Depository for the Bonds. Individual purchases will be made in book-entry form only, 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 on the Bonds 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.

Interest on the Bonds will be payable April 15, 2005 and October 15, 2005 and semi-annually thereafter on April 15 and October 15 in each year until maturity or prior redemption. The Bonds maturing in the years 2005 through 2012 are not subject to redemption prior to maturity. The Bonds maturing on or after October 15, 2013 will be subject to redemption prior to maturity as described herein.

**AMOUNTS, MATURITIES, INTEREST RATES AND YIELDS**

<u>Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield</u>
\$ 9,530,000	2005	2.500%	1.719%	\$ 2,350,000	2015	3.500%	3.450%
8,950,000	2006	2.500	1.920	2,350,000	2016	3.500	3.550
8,775,000	2007	2.500	1.920	2,280,000	2017	3.500	3.650
8,240,000	2008	2.500	2.150	2,110,000	2018	3.625	3.750
7,895,000	2009	2.500	2.450	1,955,000	2019	3.750	3.850
3,535,000	2010	3.000	2.770	630,000	2020	4.000	3.900
3,535,000	2011	3.000	2.970	620,000	2021	4.000	4.000
3,535,000	2012	3.000	3.070	585,000	2022	4.000	4.030
3,525,000	2013	3.125	3.250	585,000	2023	4.000	4.100
3,525,000	2014	3.250	3.350	550,000	2024	4.000	4.170

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**CITIGROUP GLOBAL MARKETS INC.**

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**For a description of the County's agreements to provide continuing disclosure as described in Securities and Exchange Commission Rule 15c2-12, see "Disclosure Undertaking" herein.**

*The Bonds are offered subject to the receipt of the final approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel, and certain other conditions. It is expected that delivery of the Bonds in definitive form will be made on or about November 1, 2004 in New York, New York.*

Dated: October 25, 2004

**WESTCHESTER COUNTY, NEW YORK**

**OFFICIAL ROSTER**

**COUNTY EXECUTIVE**

**Andrew J. Spano**

**COUNTY BOARD OF LEGISLATORS**

**William J. Ryan, Chairman**

**Richard G. Wishnie, Vice Chairman**

Thomas J. Abinanti

Jose I. Alvarado

Robert Astorino

Lois T. Bronz

Michael B. Kaplowitz

Ursula G. LaMotte

George Latimer

James Maisano

Louis A. Mosiello

George Oros

Vito J. Pinto

Martin L. Rogowsky

Bernice Spreckman

Andrea Stewart-Cousins

Clinton I. Young, Jr.

**APPOINTED OFFICIALS**

**DEPUTY COUNTY EXECUTIVE**

Lawrence S. Schwartz

**COMMISSIONER OF FINANCE**

Peter P. Pucillo

**COUNTY ATTORNEY**

Charlene M. Indelicato

**BUDGET DIRECTOR**

Kathleen M. Carrano

**BOND COUNSEL**

Hawkins Delafield & Wood LLP

New York, New York

**AUDITORS**

Bennett Kielson Storch DeSantis, the Government  
Services Division of O'Connor Davies Munns & Dobbins, LLP

No dealer, broker, salesman or other person has been authorized by the County of Westchester, New York, or any officer thereof, to give any information or to make any representations, other than those contained in this Official Statement and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the County of Westchester, New York, from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information 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 of Westchester, New York, since the date hereof. The Underwriters may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the Cover Page hereof. The offering prices may be changed from time to time by the Underwriters. No representations are made or implied by the County as to any offering by the Underwriters.

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**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

## DISCLOSURE UNDERTAKING

At the time of the delivery of the Bonds, the County will provide an executed copy of its “Undertaking to Provide Continuing Disclosure” (the “Undertaking”). Said Undertaking will constitute a written agreement or contract of the County for the benefit of holders of and owners of beneficial interests in the Bonds, to provide, or cause to be provided:

A. to (i) each nationally recognized municipal securities information repository (“NRMSIR”) designated by the Commission in accordance with the Rule, or to the Municipal Securities Rulemaking Board (“MSRB”) and ii) to the New York State Information Depository, if created (“SID”), notice of the occurrence of any of the following events with respect to the Bonds, if such event is material: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (7) modifications to the rights of Bondholders; (8) bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes. Not all of the foregoing eleven enumerated types of events, which are described in the Rule, are relevant to the Bonds, inasmuch as there will be no debt service reserves, credit enhancements, liquidity providers, or particular collateral identified as security for the repayment of the Bonds. The County, from time to time, may 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.

B. to (i) each NRMSIR and (ii) the SID, during any succeeding fiscal year in which any of the Bonds are outstanding (1) the County’s financial statements for such year, which are prepared in accordance with provisions of Government Accounting Standards Board Statements No. 33, 34, 36, 37 and 38 applicable to Governmental Funds (though the County may elect to change the basis of accounting from time to time, provided information enabling interpretation of the changed basis of accounting is provided), the County’s annual financial information and operating data for the preceding fiscal year, in a form generally consistent with the information contained in the Official Statement, and referenced under the headings, “COUNTY OF WESTCHESTER”, “COUNTY INDEBTEDNESS”, “FINANCIAL FACTORS”, “BUDGETARY PROCESS”, “FINANCIAL STATEMENTS AND ACCOUNTING PROCEDURES”, “RESULTS OF OPERATIONS”, “EMPLOYEES”, “MARKET FACTORS” AND “LITIGATION”.

The County shall provide the information in B, above, prior to the end of the ninth month of each such fiscal year, provided, however, that if audited financial statements are not available by such date, unaudited financial statements shall be provided pending their availability, and audited financial statements shall be provided when and if available.

The County shall also provide to (i) each NRMSIR or the MSRB and (ii) the SID, notice of its failure to provide the aforescribed annual financial information and operating data and such financial statement on or before the date specified.

The County may provide notice of the occurrence of certain other events, in addition to those listed in A, above, if it 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.

The County’s Undertaking shall remain in full force and effect until such time as the principal of, redemption premiums, if any, and interest on the Bonds shall have been paid in full. The sole and exclusive remedy for breach or default under the Undertaking is an action to compel specific performance of the undertakings of the County, and no person or entity, including a Holder of the Bonds, shall be entitled to recover monetary damages thereunder under any circumstances. Any failure by the County to comply with the Undertaking will not constitute a default with respect to the Bonds. The County reserves the right to amend or modify the Undertaking under certain circumstances set forth therein, provided that any such amendment or modification will be done in a manner consistent with Rule 15c2-12, as amended.

The County is in compliance with prior disclosure undertakings.

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

This Official Statement, which includes the cover page and appendices hereto, presents information relating to the County of Westchester, in the State of New York (the "County" and "State," respectively) and was prepared by the County in connection with the sale of its \$75,060,000 General Obligation Serial Bonds—2004C (the Bonds”).

All quotations from as well as summaries and explanations of provisions of the Constitution, 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.

**THE BONDS**

**Purpose of Issue**

The Bonds are a consolidated issue, the proceeds of which will be used to provide funds to finance the cost or part of the cost of the following capital improvements:

<u>Amount</u>	<u>Project</u>
\$ 18,987,000	Information Technology
8,170,000	Parkland Acquisition
6,775,000	County Buildings modernization, improvements and relocations
6,070,000	Parks improvements, modernization and rehabilitation
4,545,000	Roads and Bridges reconstruction and rehabilitation
4,350,000	Airport improvements and security enhancements
4,150,000	Bus acquisition and improvements
3,455,000	Golf course rehabilitation and repair
2,600,000	Bronx River Parkway rehabilitation
2,200,000	Emergency Operations Center
2,060,000	Labs and Research renovations and computer systems acquisition
2,000,000	Fire training replacement of fire pits
1,837,000	Playland improvements, rehabilitation and ride acquisition
1,660,000	Saw Mill River basin ecosystem and storm water management, Sheldrake River
1,465,000	Westchester Community College Library expansion and improvements
1,295,000	Croton Park ball field and seawall stabilization
1,249,000	Land acquisition for new homes
887,000	Housing implementation and site improvements
705,000	Public Safety shelter and heavy equipment acquisition
600,000	Reconstruction at the Department of Correction
<u>\$ 75,060,000</u>	

The Bonds will be sold to the Purchasers at par plus accrued interest from November 1, 2004, plus a premium, if any. (See “Market Factors.”)

**Nature of Obligation**

The Bonds 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 thereof and the interest thereon. For the payment of such principal and interest the County has power and statutory authorization to levy ad valorem taxes on all taxable real property within the County without limitation as to rate or amount.

Under the Constitution of the State, the County is required to pledge its faith and credit for the payment of the principal of and interest on the Bonds, and the State is specifically precluded from restricting the power of the County to levy taxes on real property therefor.

The Bonds are issued pursuant to applicable provisions of the Local Finance Law of the State of New York, the County Charter and certain acts and proceedings of the County Board of Legislators adopted on their respective dates and thereafter approved by the County Executive. (See "County Indebtedness" for additional information.)

### **Description of the Bonds**

The Bonds will be dated November 1, 2004, and will mature in the principal amounts on October 15 in each of the years as shown on the cover page hereof and will bear interest at the interest rates shown on the cover page hereof. The Bonds will be issued in fully registered form and when issued will be registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as Securities Depository for the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000, or integral multiples thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds.

Interest on the Bonds will be payable April 15, 2005 and October 15, 2005, and semi-annually thereafter on April 15 and October 15 in each year until maturity or prior redemption. Principal of and interest on the Bonds 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 may be transferred in the manner described on the Bonds and as referenced in certain proceedings of the County referred to therein.

### **Optional Redemption of the Bonds**

The Bonds maturing in the years 2005 through 2012 are not subject to prior redemption.

The Bonds maturing on or after October 15, 2013 will be subject to redemption prior to maturity at the option of the County on October 15, 2012 and thereafter on any date, as a whole, or in part, at par, plus accrued interest to the date of redemption.

The County may select the maturities of the Bonds to be redeemed and the amount to be redeemed of each such maturity selected, as the County shall determine to be in the best interests of the County at the time of such redemption. If less than all of the Bonds of any maturity are to be redeemed prior to maturity, the particular Bonds of such maturity to be redeemed shall be selected by the County by lot in any customary manner of selection as determined by the County Commissioner of Finance. Notice of such call for redemption shall be given by mailing such notice to the registered owner not less than thirty (30) days nor more than sixty (60) days prior to such date. Notice of redemption having been given as aforesaid, the Bonds so called for redemption shall, on the date of 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 from and after such redemption date.

### **BOOK ENTRY ONLY SYSTEM**

DTC will act as securities depository for 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 for each maturity of the Bonds, each in the aggregate principal amount of such maturity, will be issued and 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 (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 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 the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee does 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 DTC. If less than all of the Bonds in an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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 upon DTC’s receipt of funds and corresponding detail information from the County, on payable date in accordance with their respective holdings shown on DTC’s records. 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 redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as 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 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.

**THE COUNTY WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO 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 PAYMENT BY DTC OR ANY PARTICIPANT OR INDIRECT 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; OR (IV) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDOWNER.**

## COUNTY OF WESTCHESTER

There follows in this Official Statement a brief description of the County, together with certain information concerning its economy and governmental organization, its indebtedness, current major revenue sources and expenditures of the General and Special Revenue funds.

### General Information

Westchester County, incorporated in 1683, is a suburban county located in the northern sector of the New York metropolitan area. It is bordered on the south by New York City, on the east by the State of Connecticut and Long Island Sound, on the north by Putnam County and on the west by the Hudson River. The County had a 2000 census population of 923,459 and has an area of 450 square miles.

The County has a large and varied economic base containing many corporate headquarters, research facilities, manufacturing firms and well developed trade and service sectors. Approximately thirty-five percent of employed County residents commute to work outside the County, primarily to New York City.

### Population Characteristics

The 2000 Federal census recorded that the County had experienced a 5.5% population increase since the last completed census in 1990.

**TABLE 1**  
**Population (in 000's)**

<u>Year</u>	<u>Westchester</u>	<u>New York City</u>	<u>New York State</u>	<u>United States</u>
1960 .....	809	7,782	16,782	179,323
1970 .....	894	7,895	18,237	203,212
1980 .....	867	7,072	17,558	226,546
1990 .....	875	7,323	17,990	248,710
2000 .....	923	8,008	18,976	283,868

Source: United States Department of Commerce, Bureau of the Census.

The median age of the County's population in 2000 was 37.6, compared to the State's median of 35.9 and the national median of 35.4.

The County's 48 municipalities vary greatly in population size. Four cities: Yonkers, New Rochelle, Mount Vernon and White Plains (the County Seat), contain over 42% of Westchester's population. The southern portion of the County, with about 7,940 people per square mile, is almost ten times more densely populated than the northern area, which has about 825 people per square mile. Within the metropolitan area, Westchester's overall population density in 2000 of 2,061 people per square mile is much lower than is that of the central parts of the region and much higher than that of the more outlying exurban areas. Westchester is less than 9 percent as densely populated as New York City (24,039 per square mile) and less than one-half as densely populated as Nassau County (4,547 per square mile). However, it is more densely populated than Suffolk County (1,632 per square mile), Rockland County (1,519 per square mile), Putnam County (409 per square mile) or Dutchess County (335 per square mile).



## Personal Income

Total personal income of Westchester residents was \$52.1 billion in 2002. The County's 2002 per capita personal income is among the highest in the nation. As reported by the U.S. Department of Commerce, Bureau of Economic Analysis, in the "Survey of Current Business," May, 2004, Westchester's per capita personal income of \$55,522 as of 2002 placed it 8th among the 3,107 counties nationwide. Among the 62 counties of New York State, Westchester ranked second only to New York County (Manhattan). Westchester County's 2002 per capita personal income of \$55,522 compared favorably to New York State and the U.S., which were \$35,805 and \$30,906, respectively.

## Economy

From 1990 to the present, employment in the County has for the most part stabilized along with the County population. Although there have been periods of minor fluctuation, the County's rate of unemployment has been consistently lower than the national rate. From 1990 through 2003 the County's rate of unemployment has been substantially lower than the State and national rates as shown in Table 2.

**TABLE 2**  
**Employment and Unemployment, 1990-2004 (a)**  
**(Employment Figures in Thousands)**

	<u>Westchester</u> (b)		<u>New York State</u>		<u>United States</u>	
	<u>Employment</u>	<u>Unemploy- ment Rate</u>	<u>Employment</u>	<u>Unemploy- ment Rate</u>	<u>Employment</u>	<u>Unemploy- ment Rate</u>
1990.....	458.1	3.5%	8,375	5.3%	118,793	5.6%
1995.....	414.9	4.4	7,970	6.3	124,900	5.6
1998 .....	433.0	3.3	8,391	5.6	131,463	4.5
1999.....	432.5	3.4	8,423	5.2	133,488	4.2
2000 .....	439.6	3.0	8,776	4.6	136,891	4.0
2001.....	439.8	3.4	8,689	4.9	136,933	4.7
2002.....	448.0	4.2	8,790	6.1	136,485	5.8
2003.....	449.0	4.0	8,726	6.3	137,736	6.0
2004 (September).	442.9	3.9	8,759	5.4	139,641	5.1

Sources: New York State Department of Labor and United States Labor Department, Bureau of Labor Statistics, *Employment and Earnings*.

(a) Annual averages (except 2004).

(b) Statistical data represents employment of the County's residents employed either within the County or outside the County.

**TABLE 3**  
**Percent of Non-Agricultural Employment**  
**By Major Category 2003**

	<u>Westchester</u>	<u>New York State</u>	<u>United States</u>
Manufacturing .....	4.8%	7.3%	11.2%
Transportation & Utilities .....	3.3	3.1	3.7
Trade .....	16.0	14.4	15.8
Finance, Ins. & Real Estate .....	6.7	8.3	6.1
Services and Miscellaneous .....	46.7	45.3	41.0
Government .....	16.3	17.7	16.6
Construction & Mining .....	6.2	3.9	5.6

Sources: Derived from data furnished by New York State Department of Labor and United States Department of Labor, Bureau of Labor Statistics.

The composition of non-agricultural employment by major sector in the County generally parallels that of the State and nation, as indicated in Table 4.

**TABLE 4**  
**Wage and Salary Non-Agricultural Employment in Westchester County**  
**1990 - 2004 (a)**  
**(Figures in 000's)**

	<u>Total Non-Agricul. (b)</u>	<u>Manuf.</u>	<u>Trans. &amp; Util.</u>	<u>Trade</u>	<u>Fin., Ins., Real Estate</u>	<u>Svce. &amp; Misc.</u>	<u>Govt.</u>	<u>Constr. and Mining</u>
1990 .....	406.7	36.1	12.5	73.5	30.0	173.3	58.4	22.9
1995 .....	379.3	27.7	12.7	66.4	26.1	171.0	58.6	16.7
1997 .....	389.4	25.8	12.8	66.0	28.6	178.6	59.1	18.5
1998 .....	395.9	25.2	12.8	67.5	28.7	181.8	59.8	20.1
1999 .....	408.2	25.3	12.3	68.7	28.5	188.1	62.4	22.9
2000 .....	418.1	24.5	12.5	70.0	28.7	192.9	64.8	24.7
2001 .....	418.2	22.6	13.3	68.7	28.3	195.1	64.8	25.4
2002 .....	416.2	21.0	13.3	68.0	28.1	193.6	67.3	24.8
2003 .....	416.3	19.9	13.7	66.5	28.1	194.4	68.0	25.7
2004 (September) ..	419.1	19.0	14.3	67.7	28.6	197.4	65.6	26.5

Source: New York State Department of Labor.

(a) Annual averages (except 2004).

(b) Totals may not add because of rounding.

In 2003, fewer than half of the approximately 20,000 jobs in the manufacturing sector were production oriented, with most manufacturing employment at administrative or research facilities. For many years, the trend within the manufacturing sector in the County has been towards white collar employment and away from production operations.

Approximately 95 percent of the wage and salary jobs in the County in 2003 were with firms whose major activity was other than manufacturing. Non-manufacturing employment increased by 1,200 from the previous year to 396,400. During the period 1990-2003, employment in the manufacturing sector declined approximately 45 percent, while employment in most other sectors increased. The sectors realizing the most significant gains were service and miscellaneous, 12.2 percent, government, 16.4 percent, and construction and mining, 12.2%.

A relatively large proportion of the County's employed residents are in managerial and professional positions. In 2003, professional and technical workers, non-farm managers and administrators represented over one-third of the labor force, as compared with about one-fourth of the national and State labor forces.

There were a total of approximately 449,000 County residents employed in 2003. Approximately 28 percent of the County's professional, technical and managerial workers travel to work in New York City and are among the approximately 35 percent of County residents working outside the County.

Westchester County's economy continues to perform on a very strong level. The office vacancy rate is 13.8%, the lowest in four years. Unemployment remains at or near 4%. The vacancy rate for downtown White Plains is 14.6%, a 50% drop since 1998. Westchester continues to be an attractive location for major employers. In 2004, Nokia and its Enterprise Solutions Division announced plans to purchase a building and grow to 300 employees. Morgan Stanley and New York Life have also purchased large office buildings and will employ nearly 4000 people combined. Retentions and expansions have included Fuji Photo Film USA and Lillian Vernon, Progenics and MBIA.

In 2004, economic development continues at a strong pace despite a weak economy. New construction is scheduled for several major retail, residential and entertainment projects. In White Plains, construction is underway for Trump Tower at City Center. Trump Tower, a 35-story, 212-condominium structure, will rise within the \$350 million complex where a Target store, the 417-seat White Plains Performing Arts Center, a 15-screen movie theater, 311 rental apartments and restaurants including Applebee's and Legal Sea Food have all opened since last year. Construction is also underway on Renaissance Square, a \$375 million complex near City Center that will include a luxury hotel and 290 apartments. In New Rochelle, the first phase of the Avalon on the Sound Project, consisting of 412 residential rental units, has been completed on Huguenot Street; the second phase of construction, including 588 rental units and ground-floor retail shops, is currently in the design phase. Construction is expected for Fall 2004. Also in New Rochelle, the long-vacant Bloomingdale's department store on Main Street has been converted into a 72-unit condominium lofts building with 23,000 square feet of ground floor with basement retail and restaurants. The project includes another 12,000 square feet of adjacent retail space. In addition, another older commercial building across from the Bloomingdale's property has been demolished and will be replaced with 90 luxury condominiums. The project is currently under construction. In the city of Mount Vernon, a new \$50 million retail complex is scheduled to open on Sandford Boulevard in October. The 285,000 square-foot retail center will include a Target store, Bed Bath & Beyond and TJ Maxx. The center's first phase, a Best Buy store, opened last year. In the Village of Port Chester, the second phase of The Waterfront at Port Chester, a \$100 million retail complex, is nearing completion. The first phase opened last year, when Costco opened its doors. The 300,000 square-foot complex will combine anchors like a Super Stop & Shop supermarket and a Loews Cineplex movie complex with national chain stores.

**TABLE 5**  
**Major Private Sector Employers in Westchester County (2004)**

<u>Firms</u>	<u>Business Activity</u>	<u>Full-Time Employees</u>
* IBM Corporation .....	Computer products and research services	7,845
* Verizon Communications .....	Telecommunications and information products	2,519
* PepsiCo, Inc. ....	Soft drinks and snack foods	1,718
* Entergy Nuclear Northeast .....	Generates and sells electricity wholesale	1,423
Consolidated Edison Company.....	Utility services	1,372
* Altria Corp.....	Foods products and research	1,186
The Bank of New York.....	Commercial and retail banking	1,181
* Morgan Stanley.....	Financial Services	1,019
* MasterCard International .....	Financial services	986
New York Life Insurance Company....	Financial products and services	895
* Liberty Lines .....	Bus transportation	865
A & P Food Stores.....	Retail grocery sales	760
The Journal News.....	News publications	759
* Swiss Re America .....	Property/casualty reinsurance, financial services	753
* Reader's Digest Association .....	Book and magazine publishing	719
* Bayer Corp. ....	Medical diagnostic equipment	670
Marrriott Corporation.....	Lodging and food services	576
* Nine West Footwear Corp. ....	Retail women's footwear and accessories	573
* Diversified Investment Advisors, Inc..	Investment management services	500

\* Headquarters or major branch operations in Westchester.

Compilation by: Westchester County Department of Finance, September, 2004

Retail sales in the County increased 23.5% from \$7.44 billion in 1992 to \$9.19 billion in 1997. On a per capita basis, retail sales in the County were \$10,175 in 1997, which represents an increase of 21% from the County's 1992 per capita retail sales of \$8,401. This compares with 1997 per capita retail sales of \$7,670 in the State and \$9,191 nationally. In addition, when the more populous counties of New York City and of Long Island are excluded from consideration, the County ranks first in the State in total retail sales. The County's per household retail sales for 1997 of \$27,974 compares favorably with the State's and nation's per household retail sales of \$20,589 and \$24,355, respectively.

Major department stores in the County include Bloomingdale's, Filene's Basement, Fortunoff, Lord and Taylor, Macy's, Neiman Marcus, Nordstrom, Sears, and Target.

These developments in retail and housing activity will continue to support the growth in construction-related employment, creating a significant number of permanent retail jobs and providing additional sales tax revenues to the County and its municipalities.

## **Transportation**

The County has three commuter train lines providing service into Manhattan. Approximately three-quarters of the County's population live within a 40-minute ride of Grand Central Terminal. Freight service is provided on some rail lines. The Metropolitan Transportation Authority has made investments in new rolling stock and improved station facilities for the County's three commuter lines, and is implementing a program to expand parking facilities at various stations on the three lines.

The County is served by the New York State Thruway, three interstate highways (I-95, I-287, and I-684), and a network of scenic parkways dating back to the 1920's. The parkway system includes the Bronx River Parkway, Saw Mill River Parkway, Hutchinson River Parkway, Sprain Brook Parkway, Cross County Parkway and Taconic State Parkway.

At the present time, all parkways are owned and operated by the New York State Department of Transportation with the exception of the Bronx River Parkway, which is owned by the County. Maintenance and improvement of these roads is paid for by the State. The County Police patrol the Saw Mill, Hutchinson and Cross County Parkways and the County is reimbursed for a portion of this service by the State.

The County is served by several private bus companies which operate over 900 route miles and carry approximately 29 million passengers annually. The County currently provides operating assistance to these companies under contract and has been instrumental in obtaining State and Federal aid for acquisition of new buses and other capital improvements in bus transportation.

The Westchester County Airport is owned by the County and is operated under contract by Macquarie Aviation North America 2, Inc. and is located close to the intersection of three interstate highways. The Airport provides direct commercial service to Albany, Atlanta, Baltimore, Boston, Burlington, Chicago, Cincinnati, Cleveland, Detroit, Martha's Vineyard, Minneapolis, Nantucket, Newark, Philadelphia, Pittsburgh, Rochester, Toronto and Washington D.C. and houses numerous corporate and privately owned aircraft. There were approximately 160,000 operations at the Airport in 2003.

## **Utility Services**

Except for its northeastern portion, the County receives electrical service from Consolidated Edison of New York ("Con Ed"). The cost of electricity in the Con Edison service territory is the highest in the country. These high power costs may accelerate the current trend in the County away from manufacturing production. Con Edison also supplies natural gas service to the County. The northeastern portion of the County receives its electric power from New York State Gas and Electric at rates substantially below those of Con Edison. Since the latter part of 1976, both the County and certain municipalities within the County have received a portion of their electrical service from the Power Authority of the State of New York. The New York State Public Service Commission embarked on a program whereby the current utilities would continue to operate, under a regulatory scheme, the distribution system for electricity, but have divested themselves of most of their generation facilities. The generation facilities have been acquired by independent operators, with the electricity generated at these and other facilities sold under market conditions. However, to date, most residential customers continue to buy their electricity from the regulated utilities.

In 1982, the County created the County of Westchester Public Utility Service Agency ("the Agency") and authorized it to acquire lower cost electric power for resale to eligible customers located within territory previously served solely by Con Edison. On July 1, 1985, the Agency began service delivery to designated retail customers in accordance with the terms of a Lease and Operating Agreement between the Agency and Con Edison. Under these arrangements, the Agency

is able to deliver varying amounts of power purchased from the Power Authority of the State of New York on a day-to-day basis, as well as under contractual allocations, over distribution lines leased from Con Edison. Concurrently, the Agency has undertaken efforts to increase these power allocations, as the savings that result from the Agency's lower power purchase costs will ultimately accrue to the Agency's customers.

The County receives most of its public water from the Croton, Delaware and Catskill aqueduct systems of the City of New York (the "City"). These systems are fed partly by approximately 50 square miles of watershed lands and reservoirs in the County and, in addition, receive water by aqueduct from the upstate Catskill and Delaware systems. The County operates two water districts and there are a variety of private and municipal reservoir and well systems which supply the remainder of public water needs.

Effective January 1, 2002, Water District Number 2, which had previously been operated by the County, was leased to Northern Westchester Joint Water Works pursuant to State legislation and an Intermunicipal Agreement. Under this agreement, the Lessee will make lease payments to the County which will cover the County's remaining annual debt service for prior capital projects at Water District Number 2.

In January, 1997, the County entered into the New York City Watershed Memorandum of Agreement (the "Watershed MOA") with the City, State of New York, United States Environmental Protection Agency (the "USEPA"), Putnam County, the Coalition of Watershed Towns, the Catskill Watershed Corporation, certain municipal corporations located within the New York City Watershed and certain environmental organizations. The Watershed MOA provides for (i) a Land Acquisition Program pursuant to which the City will purchase land within the New York City Watershed (ii) the promulgation of new Watershed Regulations (iii) Watershed Protection and Partnership Programs pursuant to which the City will fund infrastructure and improvements within the Watershed and has paid 38 million dollars to the County to support the implementation of water quality investments in the East of Hudson Watershed and (iv) the creation of the Watershed Protection and Partnership Council. On May 6, 1997, the USEPA issued a 1997 Filtration Avoidance Determination for the Catskill and Delaware Water Supply Systems (the "1997 FAD"). The 1997 FAD remained in effect until April of 2002. In May of 2002, USEPA approved a new Filtration Avoidance Determination ("2002 FAD") and, therein, determined that New York City has an adequate long-term watershed protection program for its Catskill/Delaware water supply which meets the established standards for unfiltered water systems. The 2002 FAD will remain in effect until further determination is made, which determination is scheduled for April, 2007.

On August 17, 1998, the County entered into an order on consent ("Order on Consent") with NYSDEC whereby the County agreed to repair critical portions of deteriorating sewage collection systems in the thirty (30) municipalities served by County sewage treatment plants in Yonkers, New Rochelle, Blind Brook and Mamaroneck. Under the Order on Consent, the County has agreed to coordinate and manage the removal of inflow and infiltration sources on both County-owned sewage collection lines ("trunk lines") and other County property, and on sewage collection lines owned by individual municipalities ("lateral lines"). In addition, the County has agreed to construct two (2) Sanitary Sewer Overflow facilities ("SSOs"), one in the City of New Rochelle and one in the Village of Larchmont. The Order on Consent was ratified by the Westchester County Board of Legislators on September 28, 1998, by Act No. 163-1998, and all required work under this order was completed on or before September 1, 2004 as required by the Order on Consent.

It is also anticipated that, by the end of 2004, the County will enter into a Consent Order with the NYSDEC pursuant to which the County will be required to undertake the improvements necessary to bring the four (4) Long Island Sound waste water treatment plants into compliance with the new nitrogen removal standards to be imposed in the SPDES permits for those plants by 2014.

The County provides refuse disposal services to a substantial portion of the County through the County Refuse Disposal District Number 1 (the "District"). The District, in 1985, entered into a service agreement (the "Service Agreement") with the County of Westchester Industrial Development Agency (the "Agency"), which entered into a solid waste disposal agreement (the "Disposal Agreement") with Westchester Resco Company, L.P., a Delaware limited partnership (the "Company") and Wheelabrator Technologies Inc., a Delaware corporation ("Wheelabrator") for the disposal and processing of solid waste at the Charles Point facility in the City of Peekskill, New York. The terms of these agreements are substantially the same, the intent being that payments due under the Disposal Agreement will be paid with payments received under the Service Agreement. The Service Agreement expires on October 21, 2009.

The Service Agreement requires that as long as the Company provides solid waste disposal services to the District, the District's obligation to pay is absolute and unconditional up to 550,000 tons per year, but not less than 400,000 tons per year. The District funds such service charges for processing solid waste via a fixed formula which includes provisions relating to the operating expenses, the cost of construction and financing of the facility, and the sale of the energy generated from the processing of the solid waste of the District through ad valorem assessments on eligible property in the

District, disposal fees to the 36 participating municipalities within the District and disposal fees from District marketed solid waste. Such assessments and fees are budgeted annually in the District's operating budget.

There are currently outstanding \$64,055,000 of bonds issued in 1994 by the Agency to refinance the bonds that were issued in 1982 to finance the construction of the Facility. The Facility has been retrofitted with additional pollution control equipment. The Agency, on December 26, 1996, issued an additional \$71,945,000 of bonds for the Company, which was sufficient to finance the cost of the retrofit. The Company is obligated to pay the debt service on these bonds. Of the \$71,945,000 of bonds originally issued, \$63,645,000 of bonds were incorporated into the Disposal Agreement formula permitting the Company to increase the fees due thereunder to recover a portion of the total debt service. The debt service on the \$8,300,000 balance of the \$71,945,000 will be paid by the Company and will not be incorporated into the Disposal Agreement formula. Such obligations are not obligations of the County. Most of the revenues available to pay these obligations, however, are derived from the service payments made by the District.

On January 2, 2001 the operator of the Charles Point Facility exercised an early redemption call on \$18,385,000 of retrofit project debt utilizing unspent bond proceeds. This redemption, with annual payments of principal, has reduced the retrofit project debt outstanding to \$26,430,000, which will be funded through payments by the Refuse Disposal District to the operator for disposal services to be provided through October, 2009.

### **Recreational and Cultural Facilities**

The Westchester County Department of Parks, Recreation and Conservation oversees the operation of more than 40 parks and facilities spanning nearly 16,000 acres of publicly-owned park land within the County.

The Westchester County Park system includes golf courses, swimming pools, beaches, miniature golf courses, nature preserves and historic sites. The Department also operates Lasdon Park and Arboretum, a 208-acre preserve that features many species of trees and shrubs, including formal gardens in season; Muscoot Farm, a 777-acre, early-1900's interpretive farm, the Westchester County Center, the oldest and largest public assembly and entertainment facility in the County; three recreational trailways; and the famous, 279-acre amusement park and recreational complex, Playland. State and local park land and nature preserves provide an additional 17,000 acres for public use. There are a considerable number of landmarks and historical sites throughout the County, dating back to the 17th century, which reflect the County's rich architectural and historical heritage. The County has an array of colleges and universities, theaters, museums, golf courses, yacht clubs, marinas, country clubs, riding clubs, and skating rinks which provide a wide range of educational, cultural and recreational opportunities.

### **Governmental Organization**

Subject to the State Constitution, the County operates pursuant to the County Charter ("the Charter") and Administrative Code and in accordance with other laws governing the County generally to the extent that such laws are applicable to counties operating under a charter form of government. The Charter in its present form was originally enacted into law by the State Legislature after its approval by the electors of the County at a general election held in November 1937. The Administrative Code was enacted into State law in 1948.

*County Board of Legislators.* The legislative power of the County is vested in the County Board of Legislators (the "Board") which in its present form has been in existence since January 1, 1970. Its 17 members are elected for a two-year term by the voters in their respective legislative districts. Vacancies occurring on the Board are to be filled at a special election in the legislative district of the vacated office. However, if a vacancy occurs within seven (7) months prior to the regular expiration of such term of office, the vacancy may be filled for the remainder of the unexpired term by an appointment of the majority of the remaining members of the Board. Both the number of members and boundaries of legislative districts may be varied from time to time in accordance with requirements of the Federal and State Constitution or by Charter amendment. The Board is assisted by a full-time staff of twenty-one, including a budget analyst. In addition, since 1974 the Board has retained the services of Bennett Kielson Storch DeSantis & Company LLP to review and report projections of revenues and expenditures as contained in those proposed budgets. This firm has been the independent certified public accountants of the County since 1966.

*The County Executive.* The County Executive is elected every four years in the year following the presidential election. He must be a resident of the County for at least five years prior to his election, is required to devote his full time to the duties of his office and may hold no other public office. Subject to certain exceptions hereafter described, no act of the Board of Legislators can take effect unless approved by the County Executive. If any act is not returned to the County Board by the County Executive with his written reason for not approving it within ten days of its presentation to him, it is deemed approved; further any act disapproved by the County Executive nevertheless becomes effective if upon reconsideration it is passed by at least two-thirds vote of all the members of the Board. Pursuant to the Charter, there are several departments of the County established, including the Department of the Budget, responsible for preparation of the

budget for submission to the County Executive, and such other duties in regard thereto as the County Executive may direct. Also pursuant to the Charter, the Department of Finance is charged with the administration of the financial affairs of the County, including collection of all taxes and other revenues due to the County, the custody and safekeeping of all funds belonging to the County and the disbursement of all County funds including the keeping and supervision of all accounts.

*Chief Fiscal Officer.* The Commissioner of Finance is appointed by and serves at the pleasure of the County Executive and is confirmed by the Board of Legislators. By Charter, the Commissioner of Finance is responsible for the administration of the financial affairs of the County, including the management of \$1.4 billion in general County funds, collection of all taxes, assessments, license fees and other revenues due the County; custody and safekeeping of all funds belonging to or by law deposited with, distributed to or handled by the County; the disbursement of County funds; the keeping and supervision of all accounts; the supervision of such similar functions of local units of government as may be transferred or entrusted to the County; and such other duties as may be prescribed by law, by the County Executive or the Board.

In addition, since 1961 the Charter has required that all financial dealings, transactions and records of the County shall be subject annually to a complete independent audit. The auditors' report is required to be filed with the Board and is open to public inspection.

Peter P. Pucillo is Commissioner of Finance for the County. He is responsible for the administration of the Finance Department and the financial reporting for the County. He is a Certified Public Accountant and has a broad range of financial, budgetary and administrative experience in both the government and private sectors. He holds a B.B.A. in Accounting from Iona College.

Prior to his appointment as Commissioner, Mr. Pucillo served four years as Manager of Fiscal Operations in the County's Finance Department. Before joining the County, Mr. Pucillo served fifteen years in the City of Mount Vernon as City Comptroller and Treasurer of both the City's Industrial Development Agency and its Urban Renewal Agency. Mr. Pucillo ran his own CPA practice and was also employed by KPMG Peat Marwick for seven years prior to his service in Mount Vernon.

Mr. Pucillo also serves as Treasurer for the St. Theresa's Residence for Developmentally Disadvantaged Adults of the Archdiocese of New York. He also served ten years for the Mount Vernon School District as President, Vice President and Trustee. In addition, Mr. Pucillo is a member of professional accounting organizations and has been a member of many civic groups.

## **COUNTY INDEBTEDNESS**

### **Nature of County Indebtedness and Procedure for Authorization**

#### *Constitutional Requirements*

The New York State Constitution limits the power of the County (and other municipalities and 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 Bonds:

*Purpose and Pledge.* 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, with the exception of WCHCC (see "Hospital Governance/Westchester County Health Care Corporation" herein.)

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

*Payment and Maturity.* The County is authorized by the State Constitution to contract debt for objects or purposes which the State Legislature has determined to have a "period of probable usefulness" and the maximum maturity of such debt may not exceed the period of probable usefulness of the object or purpose or, in the alternative, the weighted average period of probable usefulness of the several objects or purpose for which it is contracted. Bonds must mature in annual installments and may be issued to finance any object or purpose for which a "period of probable usefulness" has been determined by the State Legislature. No annual installment of a serial bond may be more than 50% in excess of the smallest prior installment unless the County Board of Legislators provides for substantially level or declining debt service payments in the manner prescribed by the State Legislature. Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three fiscal year periods, indebtedness is required to be paid in annual installments commencing no later than two years after the date such indebtedness has been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose determined by statute.

*Debt Limit.* The County has the power to contract indebtedness for any lawful County purpose so long as the principal amount thereof shall not exceed seven per centum of the five year average full valuation of taxable real estate of the County and subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash or appropriations for current debt service. The constitutional method for determining average full valuation is calculated by taking the assessed valuations of taxable real estate for the last five completed assessment rolls and applying thereto the ratio which such assessed valuation bears to the full valuation; full valuation is determined by the New York State Office of Real Property Services or such other State agency or officer as the State Legislature shall direct. The Legislature also is required to prescribe the manner by which such ratio shall be determined by such authority.

The following table sets forth the debt limit of the County and its debt contracting margin under such constitutional standard.

**TABLE 6**  
**Summary of Constitutional Debt Statement Prepared as of September 30, 2004**

Five year average full valuation of taxable real property.....	\$ 83,975,188,310
Debt limit (7% thereof).....	<u>5,878,263,182</u>
Outstanding indebtedness:	
Bonds .....	674,342,390 (a)
Bond Anticipation Notes.....	<u>31,400,000 (b)</u>
Total Bonds and Notes .....	<u>705,742,390</u>
Less Exclusions:	
2004 Debt Service Appropriations (Principal only) Non-District.....	49,828,013
2004 Debt Service Appropriations (Principal only) Districts .....	11,903,779
Certain Sewer District Debt .....	77,286,090
Water District Debt.....	<u>3,650,694</u>
	<u>142,668,576</u>
Total Net Indebtedness.....	<u>563,073,814</u>
Net Debt — contracting margin .....	<u>\$ 5,315,189,368</u>
Percentage of Debt Contracting Power Exhausted as of 9/30/04 .....	<u>9.58%</u>
<i>Add additional debt giving effect to this financing .....</i>	<u>75,060,000</u>
<i>Proforma total net indebtedness.....</i>	<u>638,133,814</u>
<i>Proforma percentage net contracting margin exhausted 9/30/04.....</i>	<u>10.86%</u>
<i>Guaranteed WCHCC debt.....</i>	<u>145,230,000 (c)</u>
<i>Proforma maximum total net indebtedness and WCHCC guaranteed debt....</i>	<u>783,363,814 (c)</u>
<i>Proforma maximum percentage net contracting margin exhausted 9/30/04...</i>	<u>13.33%</u>

(a) See Table 7 for Advance Refunded Debt and Table 8 for escrowed WCHCC rent payments, which are excluded from the above table.

(b) Non interest bearing Notes sold to the New York State Environmental Facilities Corporation on November 25, 2001, September 26, 2002, February 6, 2003 and September 23, 2004.

(c) The County has authorized the guarantee of certain debt to be issued by WCHCC up to a maximum amount of \$213,065,000. The amounts and the timing of their debt issuance are determined by WCHCC. WCHCC issued debt in the amount of \$141,860,000 of the above-mentioned \$213,065,000 on November 14, 2000. On December 24, 2002, WCHCC issued \$5,070,000 in a private placement guaranteed by the County. The County issued General Obligation Bonds in the amount of \$19,835,000 on December 18, 2002 for the benefit of WCHCC. On December 23, 2003 the County issued \$6,230,000 of General Obligation Bonds for the benefit of WCHCC. The debt service on these bonds issued by the County are paid from County funds. (See "Guaranty Agreement and Bonds" under "Hospital Governance/Westchester County Health Care Corporation" herein.)

There is no constitutional limitation on the amount that may be raised by the County by tax on real estate in any fiscal year to pay interest and principal on all indebtedness.

The County, through the New York State Environmental Facilities Corporation (NYS EFC), has advance refunded a portion of the County sewer debt originally issued in the County's 1989, 1990A, 1991A, 1992B, 1993B, 1994, 1995, 1996, 1997D and 1999 bond issues. The sewer debt was refunded through the County's 1991A, 1997B, 1997C, 2001B, 2001C, 2001D and 2002A bonds issued to the NYS EFC. The County advance refunded additional portions of debt it originally issued in its 1992A, 1992B, 1994 and 1995 bond issues. This debt was refunded through the County's 1998B Bond Issue. The County has also refunded a portion of its 1993A, 1993B, 1995A, 1996, 1997D, 1998A, 1999 and 2000C bond issues through its 2003D bond issue. On August 17, 2004, the County current refunded the 1994 B Alternative Minimum Tax Bonds through the County's 2004B Bonds.



**TABLE 7****Advance Refunded and Escrowed Bonded Debt as of September 30, 2004**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 6,460,795	\$ 2,062,011	\$ 8,522,806
2005	4,449,054	4,099,999	8,549,053
2006	5,495,511	3,905,996	9,401,507
2007	6,972,171	3,640,261	10,612,432
2008	7,301,035	3,297,971	10,599,006
2009	7,218,102	2,950,750	10,168,852
2010	10,640,726	2,606,077	13,246,803
2011	10,347,542	2,107,902	12,455,444
2012	10,941,540	1,617,606	12,559,146
2013	9,319,054	1,095,848	10,414,902
2014	5,059,724	646,805	5,706,529
2015	3,648,000	295,710	3,943,710
2016	1,733,000	113,907	1,846,907
2017	532,000	26,830	558,830
2018	20,000	2,100	22,100
2019	20,000	1,050	21,050
	<u>\$ 90,158,254</u>	<u>\$ 28,470,823</u>	<u>\$ 118,629,077</u>

On November 14, 2000, WCHCC sold \$255,100,000 in bonds. A portion of those bond proceeds were placed in an irrevocable trust to provide for all future debt service payments on that portion of County Bonds which were issued to fund WCHCC projects. The County considers these bonds to be defeased. Accordingly, the trust account assets and the liability for these bonds are not included in the County's financial statements. (See "Transition Agreement" under "Hospital Governance/Westchester County Health Care Corporation" herein.)

**TABLE 8****WCHCC Escrowed Rent Payments as of September 30, 2004**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 1,366,677	\$ 219,506	\$ 1,586,183
2005	1,319,206	310,809	1,630,015
2006	1,153,994	289,301	1,443,295
2007	660,862	197,244	858,106
2008	479,682	211,061	690,743
2009	481,118	194,276	675,394
2010	434,967	134,385	569,352
2011	353,598	116,261	469,859
2012	265,286	101,758	367,044
2013	264,199	91,333	355,532
2014	263,180	80,840	344,020
2015	248,000	28,901	276,901
2016	188,000	17,390	205,390
2017	188,000	8,695	196,695
	<u>\$ 7,666,769</u>	<u>\$ 2,001,760</u>	<u>\$ 9,668,529</u>

*General.* The County is further subject to constitutional limitation by the general constitutionally imposed duty on the State Legislature to restrict the power of taxation, assessment, borrowing money, contracting indebtedness and loaning the credit of the County so as to prevent abuses in taxation and assessments and in contracting indebtedness; however, as has been noted under "Nature of Obligation", the State Legislature is prohibited by a specific constitutional provision from restricting the power of the County to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted.

## *Statutory Procedure*

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

In contrast to all other counties in the State, the County is required by the Local Finance Law to submit a bond act adopted by its Board of Legislators authorizing bonds in excess of \$10,000,000 to finance any capital improvement to a mandatory referendum of County voters. Approval by a majority of votes cast is necessary before such bond act is effective. Exceptions to this requirement include bond acts for sewage, solid waste and hospital facilities. Although there is no present proposal being considered by the County for other exceptions to, or for the repeal of this referendum requirement, no assurance can be given that such exceptions or repeal will not be enacted by the State Legislature.

The Local Finance Law also provides a twenty-day statute of limitations after publication of a bond act, which, in effect, estops legal challenges to the validity of obligations authorized by such bond act except for alleged constitutional violations.

The Board, as the finance board of the County, has the power to enact bond acts and acts authorizing bond anticipation notes to be issued in anticipation of the bonds authorized by such bond acts. In addition, such finance board has the power to authorize the issuance of bonds and notes, including the Bonds. However, such finance board may delegate, and has delegated, its powers in relation to the sale of the Bonds to the Commissioner of Finance, the chief fiscal officer of the County under its Charter.

The Local Finance Law also contains provisions providing the County with power to issue general obligation revenue and tax anticipation notes and general obligation budget and capital notes (see "Temporary Borrowing").

### **Remedies Upon Default**

Under current law, provision is made for contract creditors of the County to enforce payments upon such contracts, if necessary, through court action; although the present statute limits interest on the amount adjudged due to creditors to nine per centum per annum from the date due to the date of payment. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment, although judicial mandates have been issued to officials to appropriate and pay judgments out of current funds or the proceeds of a tax levy.

The Constitution of the State requires that every county, city, town, village, and school district in the State provide annually by appropriation for payment of all interest and principal on its serial bonds and certain other obligations, and that, if at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any such obligations.

The State has consented that any municipality in the State may file a petition with any United States District Court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness. Subject to such State consent, under the United States Constitution, Congress has jurisdiction over such matters and has enacted amendments to the existing federal bankruptcy statute, generally to the effect and with the purpose of affording municipal corporations, under certain circumstances, with easier access to judicially approved adjustment of debts including judicial control over identifiable and unidentifiable creditors.

In recent times, certain events and legislation affecting remedies on default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of bondholders, such courts might hold that future events including financial crises as they may occur in the State and in municipalities of the State require the exercise by the State of its emergency and police powers to assure the continuation of essential public services.

No principal or interest payment on County indebtedness is past due. The County has never defaulted in the payment of the principal of or interest on any indebtedness.

### **Outstanding County Debt**

The following table shows all general obligation bonded indebtedness for the payment of the principal and interest on which the County has pledged its faith and credit.

**TABLE 9**  
**County Long-Term Bond Obligation Indebtedness (a)**  
**Principal Amount Outstanding as of September 30, 2004**

Parks and Parkways .....	\$ 77,532,805
Roads and Bridges .....	49,163,849
Airport.....	21,329,620
Courthouse .....	1,053,377
Correctional Facilities.....	87,906,066
Community College.....	14,200,138
WCHCC .....	30,565,000
Transportation .....	9,483,940
Laboratories and Research .....	7,957,491
Other Buildings and Miscellaneous.....	160,946,555
Refuse Disposal District.....	25,377,743 (b)
Water District 2 .....	1,479,101 (b)
Water District 3 .....	2,460,984 (b)
Sewer Districts.....	<u>216,285,721 (b)(c)</u>
Gross County Long-Term Bond Debt.....	705,742,390
Deduct District debt .....	<u>245,603,549</u>
Net long-term debt .....	460,138,841
Add new bonds .....	<u>75,060,000</u>
Proforma net long-term debt as of September 30, 2004.....	<u>\$ 535,198,841</u>

- (a) See Table 7 for Advance Refunded Debt and Table 8 for escrowed WCHCC rent payments, which are excluded from the above table.
- (b) Debt service and operating costs of sewer, water and refuse disposal districts, established pursuant to law, primarily funded by a special annual ad valorem tax or assessment for each district as well as by fees or charges. (See "Assessed and Full Valuation, County Tax Levy and Rates" herein.)
- (c) Includes Bond Anticipation Notes of \$31,400,000 sold to the New York State Environmental Facilities Corporation for various sewer projects through the EFC's 2002A, 2003A and 2004A zero interest loan program.

In addition to the foregoing debt, the County has contractual obligations pursuant to which it is indirectly responsible for the payment of debt such as with the solid waste service fees paid to Wheelabrator (see "Utility Services" herein) and the courthouse project (see "Summary of Significant Contingencies and Commitments" herein).

**Debt Ratios**

The following table sets forth certain ratios relating to the County's gross and net direct general obligation indebtedness.

**TABLE 10**  
**Debt Ratios as of September 30, 2004**

	<u>Amount (a)(b)</u>	<u>Per Capita (c)</u>	<u>Estimated Percentage Full Value (d)</u>
Gross Long-Term Bond Debt .....	\$ 705,742,390	\$ 764	0.52%
Net Long-Term Bond Debt .....	460,138,841	498	0.34%
Proforma Gross Long-Term Bond Debt .....	780,802,390	846	0.57%
Proforma Net Long-Term Bond Debt .....	535,198,841	580	0.39%

- (a) See Table 7 for Advance Refunded Debt and Table 8 for escrowed WCHCC rent payments, which are excluded from the above table.
- (b) Includes Bond Anticipation Notes of \$31,400,000 sold to the New York State Environmental Facilities Corporation for various sewer projects through the EFC's 2002A, 2003A and 2004A zero interest loan program.
- (c) Westchester County's 2000 population was 923,459, according to the U.S. Bureau of the Census.
- (d) The estimated full value of taxable real estate in the County for 2004 was computed by use of the Westchester County Tax Commission rates. See Table 19 herein.

## Debt Service Schedule

The following schedule sets forth all principal and interest payments presently required on all outstanding long-term bond indebtedness of the County.

**TABLE 11**  
**Summary of Principal and Interest on County Long-Term Bond Indebtedness**  
**as of September 30, 2004**

	<b>Principal (a)(c)</b>	<b>Interest (a)(b)</b>	<i>Proforma</i> <b>2004C Principal</b> <i>Payments</i>	<b>Total</b>
2004	\$ 57,799,078	\$ 11,622,814	\$ —	\$ 69,421,892
2005	67,316,640	25,908,553	9,530,000	102,755,193
2006	63,398,552	23,344,985	8,950,000	95,693,537
2007	58,180,686	20,709,216	8,775,000	87,664,902
2008	52,696,213	18,703,449	8,240,000	79,639,662
2009	48,016,790	16,533,345	7,895,000	72,445,135
2010	43,670,641	14,485,341	3,535,000	61,690,982
2011	39,498,167	12,792,158	3,535,000	55,825,325
2012	34,696,714	11,180,202	3,535,000	49,411,916
2013	30,282,700	9,718,598	3,525,000	43,526,298
2014	28,238,209	8,447,657	3,525,000	40,210,866
2015	26,684,000	6,786,163	2,350,000	35,820,163
2016	24,694,000	5,631,708	2,350,000	32,675,708
2017	22,080,000	4,556,237	2,280,000	28,916,237
2018	17,550,000	3,587,715	2,110,000	23,247,715
2019	12,250,000	2,805,100	1,955,000	17,010,100
2020	7,415,000	2,234,016	630,000	10,279,016
2021	6,305,000	1,884,679	620,000	8,809,679
2022	3,345,000	1,589,569	585,000	5,519,569
2023	2,770,000	1,433,893	585,000	4,788,893
2024	2,770,000	1,303,468	550,000	4,623,468
2025	2,760,000	1,173,461	—	3,933,461
2026	2,750,000	1,041,564	—	3,791,564
2027	2,745,000	908,176	—	3,653,176
2028	2,745,000	775,042	—	3,520,042
2029	2,745,000	641,713	—	3,386,713
2030	2,740,000	507,266	—	3,247,266
2031	2,735,000	372,935	—	3,107,935
2032	2,735,000	238,861	—	2,973,861
2033	2,730,000	104,903	—	2,834,903
	<u>\$ 674,342,390</u>	<u>\$ 211,022,787</u>	<u>\$ 75,060,000</u>	<u>\$ 960,425,177</u>

- (a) See Table 7 for Advance Refunded Debt and Table 8 for WCHCC Escrowed Rent Payments, which are excluded from the above table.
- (b) Includes \$4,325,155 capital appreciation to maturity on the Capital Appreciation Bonds issued November 1994.
- (c) Excludes Bond Anticipation Notes of \$31,400,000 sold to the New York State Environmental Facilities Corporation for various sewer projects through the EFC's 2002A, 2003A and 2004A zero interest loan program.

**Trend of Outstanding Long-Term County Indebtedness**

The following schedule sets forth the total long-term bond indebtedness outstanding at the end of each of the last ten fiscal years:

**TABLE 12**  
**Outstanding Long-Term County Indebtedness (a)**  
**As of December 31**

<u>Fiscal</u> <u>Year</u>	<u>Amount</u>	<u>Fiscal</u> <u>Year</u>	<u>Amount</u>
1994 .....	\$ 548,097,402	1999 .....	548,660,416
1995 .....	555,777,402	2000 .....	509,152,460
1996 .....	544,537,402	2001 .....	531,632,331
1997 .....	578,870,817	2002 .....	614,293,956
1998 .....	566,834,020	2003 .....	641,470,868

(a) See Table 7 for Advance Refunded Debt and Table 8 for WCHCC Escrowed Rent Payments, which are excluded from the above table.

**Summary of Significant Contingencies and Commitments**

The County financed \$133,007,717 over 25 years through the Dormitory Authority of the State of New York (the "Authority") in connection with the implementation of the County's Court Facilities Capital Plan for the Westchester County Courthouse rehabilitation and facade replacement, and construction of a three-story courthouse annex (the "Project"). In December 1998, the County conveyed to the Authority title to the Courthouse property, including buildings and improvements thereon or to be erected thereon. The parties entered into a Lease and Agreement (the "Lease") by which the Authority leases the property back to the County. When the Lease term has expired and all of the bonds have been paid in full, the Authority will convey back to the County all of the property and the improvements thereon. In 2004, the County will pay Basic Rent of \$10,784,838, consisting of payments toward the interest and principal on the bonds issued to finance the project and sinking fund installments of the outstanding bonds, for the term of the Lease. The County has the option to make prepayments toward the Basic Rent, to be used for the purchase or redemption of the Project bonds. The Authority's bonds are not general obligations of the County.

(See also "Guaranty Agreements and Bonds" under "Hospital Governance/Westchester County Health Care Corporation" herein for a description of certain guarantee obligations of the County for indebtedness issued by WCHCC.)

**Future Issuance of General Obligation Indebtedness**

The County Charter establishes a capital program procedure to provide the County with five-year projections of capital projects and estimates of expenditures required. These expenditures are financed from current annual appropriations, the proceeds of bonds and notes and other sources, such as Federal and State funds. Bond issuance authority is generally subject to the referendum requirement for bond acts authorizing bonds in excess of \$10,000,000 for any capital improvement. (See "County Indebtedness-Statutory Procedure" herein.)

A Capital Projects Committee, composed of the County Executive as Chairman, the Budget Director and other designated heads of Executive Departments, the Chairman of the Board and the Chairman of its Budget and Appropriations Committee, meet to prepare the proposed capital plan for the ensuing five years. They are required to consider the feasibility of all proposed capital projects in reference to their necessity, priority, location, costs and method of financing, and the plan is required to be printed with the County budget.

The County is required by its Charter to adopt a capital budget annually. Each capital project which is either contemplated or commenced is reflected in either the capital plan or the capital budget. Whenever the County determines to finance the costs of a capital project by borrowing, it adopts acts authorizing bonds and bond anticipation notes. Notwithstanding the inclusion of a capital project in the capital plan or budget or in a bond act, the County may at any time eliminate or terminate such project, subject to any contract liabilities theretofore incurred.

In general, the County has provided for capital projects in accordance with the foregoing capital program procedure, although the County may adopt a bond act even though the project for which it is adopted has not been in any previous capital plan so long as the capital budget is amended.

The County capital project plan will necessitate further financing by the issuance of bonds and/or bond anticipation notes. General improvement and reconstruction of County roads and bridges will continue as required. Additional building construction and capital improvements at various County facilities including the Westchester Community College and correctional facilities on the Valhalla Campus are anticipated. Recreational improvements and improvement of public transportation facilities, including acquisition of new equipment, may be financed during the next several years. In addition, financing will be required for the expansion of County sewer districts and for expansion of County Refuse Disposal District No. 1 facilities.

On July 22, 2004, the County, through the NYS EFC, issued \$43,491,522 of long-term 2004A Bonds. This issue was comprised of four components: the first part was the issuance of \$2,921,434 of new money. The second part was the conversion of \$4,766,800 of the then outstanding \$4,940,800 2001B Bond Anticipation Notes (BANs) issued through the NYS EFC into long-term bonds. A principal reduction of \$174,000 was made on these BANs on August 16, 2004. The 2001B BANs are fully defeased. The third part is the conversion of \$32,507,288 of the then outstanding \$70,653,200 2002A BANs issued by the NYS EFC into long-term bonds. The current outstanding balance on the 2002A BANs was further reduced by a reduction of \$17,020,912 in the scope of these projects and a principal reduction payment \$525,000 on August 16, 2004, reducing the balance to \$20,600,000. The fourth and final part of the 2004A Bonds is the conversion of \$3,296,000 of the then outstanding \$11,300,000 2003A BANs issued through the NYS EFC into long-term bonds. The balance outstanding of the 2003A BANs were further reduced by a principal reduction payment of \$4,000 on August 16, 2004, reducing the balance to \$8,000,000.

**TABLE 13**  
**Capital Budget Projection**  
**As of September 30, 2004**  
**(Dollars in Thousands)**

	Estimated Total Costs(a)	Cumulative Appropriations (b)	Financing			(c)	
			Cash Operating Budgets (d)	Other Financings (d)	Aggregate Bonding Issued and Anticipated (e)	Bonds Issued (f)	Bonds Anticipated (g)
Buildings.....	\$ 742,213	\$ 518,196	\$ 19,933	\$ 49,506	\$ 448,756	\$ 373,085	\$ 75,671
Parkways .....	50,895	41,095	730	19,500	20,865	14,520	6,345
Roads and Bridges.	185,390	100,734	518	60,542	39,674	34,672	5,002
Recreation Facilities	333,972	141,282	2,743	1,350	137,189	107,197	29,992
Transportation .....	267,884	166,684	1,452	132,177	33,055	28,117	4,938
Airport .....	178,007	103,202	15,226	59,794	28,181	21,292	6,889
County-wide	1,758,361	1,071,193	40,602	322,869	707,720	578,883	128,837
Refuse Disposal							
District .....	53,230	41,869	250	2,000	39,619	35,500	4,119
Sewer and							
Water District.....	2,151,456	326,853	19,870	46,106	260,877	224,703	36,174
Totals .....	<u>\$ 3,963,047</u>	<u>\$ 1,439,915</u>	<u>\$ 60,722</u>	<u>\$ 370,975</u>	<u>\$ 1,008,216</u>	<u>\$ 839,086</u>	<u>\$ 169,130</u>

- (a) As estimated in the capital plan, but not necessarily appropriated. Includes projects not yet under the capital budget or subject of a Bond Act. No assurance can be given that the actual cost will not be greater than estimated, in part because of the anticipatory nature of capital planning.
- (b) As provided in the capital budgets, which provide for the authorization to spend and the plan of financing. Such appropriations remain in effect until the project is completed or terminated.
- (c) As provided in the capital budgets. The County is not committed to the issuance of such bonds and, generally, reduces the final amount of the issue by transfers from the operating budgets and from other sources such as Federal and State funds.
- (d) Reflects cash from operating budgets for the retirement of certain bond anticipation notes and from other revenues such as Federal and State funds.
- (e) As provided in the capital budget. Includes all bonds issued or anticipated to be issued for the capital projects. Bond anticipation notes may be issued pending the sale of the bonds.
- (f) Bonds in the amounts indicated have been issued in prior years. Certain of these bonds have matured and been retired. Completed projects and bonds issued therefore are not shown since they are not in the capital budget.
- (g) Represents the difference between "aggregate bonding" and "bonds issued."

**Temporary Borrowing**

*Bond Anticipation Notes.* The following table lists the ten year history of bond anticipation notes.

**TABLE 14**  
**Bond Anticipation Notes**

<u>Fiscal Year</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance as of December 31</u>
1995 .....	—	—	—
1996 .....	—	—	—
1997 .....	—	—	—
1998 .....	—	—	—
1999.....	\$ 3,800,000	\$ 3,800,000	—
2000.....	14,925,000 (a)	—	\$ 14,925,000
2001.....	57,962,242 (a)	8,298,154	64,589,088
2002.....	73,903,200 (a)	20,508,132	117,984,156
2003.....	11,300,000 (a)	40,284,156	89,000,000
2004.....	2,800,000 (a)(b)	60,400,000	31,400,000 (c)

- (a) Issued to the New York State Environmental Facilities Corporation.
- (b) Issued September 23, 2004.
- (c) As of September 30, 2004.

*Tax Anticipation Notes.* The following table shows the annual issues of tax anticipation notes since 1995.

**TABLE 15**  
**Tax Anticipation Notes**

<u>Fiscal Year</u>	<u>Issued</u>	<u>Retired</u>	<u>December 31</u>
1995 .....	\$ 75,000,000	\$ 75,000,000	—
1996 .....	100,000,000	100,000,000	—
1997 .....	100,000,000	100,000,000	—
1998 .....	100,000,000	100,000,000	—
1999 .....	75,000,000	75,000,000	—
2000 .....	—	—	—
2001 .....	—	—	—
2002 .....	—	—	—
2003 .....	—	—	—
2004 .....	50,000,000	50,000,000	(a)

- (a) As of September 30, 2004.

Except for tax anticipation notes issued during the period shown in Table 15, the County has not issued revenue anticipation notes or any other form of short-term obligations to finance operating cash-flow needs. The timing of the receipt of taxes and other revenues (including Federal and State aid) and its need for such monies, together with its control of the timing of expenditures, has in the past enabled the County to minimize the need for short-term financing.

For the years 1995 through 2004, the County's cash flow was affected by delays in the receipt of State aid due to the State's inability to pass its budgets on time.

**Underlying Indebtedness of Political Subdivisions Within the County**

The estimated gross outstanding indebtedness of other governmental entities within the County, based on unverified information furnished by such entities, is as follows:

**TABLE 16**  
**Estimated Underlying Indebtedness**  
**As of June 30, 2004**

Cities: Yonkers .....	\$ 292,280,000
Peekskill .....	28,558,900
Rye .....	18,555,000
White Plains .....	68,529,699
Mount Vernon .....	6,416,568
New Rochelle .....	94,728,188
Nineteen Towns .....	215,636,101
Twenty-three Villages .....	252,698,983
Forty-eight School Districts .....	<u>1,368,012,173</u> (a)
Overall Estimated Underlying Gross Debt .....	<u>\$ 2,345,415,612</u> (b)

- (a) Net of State Building Aid of \$18,938,374.  
(b) Does not include deductions for self-supporting debt.

**FINANCIAL FACTORS**

County finances are operated primarily through its General Fund. All taxes and most non-tax revenues are paid into it and all current operating expenditures are made from it pursuant to legislative appropriations. The County also has sewer, water and refuse disposal districts which are managed through individual district funds into which all special tax levies for these purposes are paid and from which all expenditures are made. There is also a Capital Projects Fund used for purposes of capital construction, revenues for which are derived through appropriations in the operating budget, sale of bonds and bond anticipation notes, and State and federal receipts. The County's fiscal year begins January 1 and ends December 31. Financial statements for the County are included in Appendix A of this Official Statement. These statements have been audited by Bennett Kielson Storch DeSantis, the Government Services Division of O'Connor Davies Munns & Dobbins, LLP. Appendix B of this Official Statement contains summaries of the County budgets for 2003 through 2004, as amended.

**Revenues**

The County derives its revenues from: State and Federal aid, a direct tax levy on real property, a 1½ % County-wide sales tax, which was increased on October 15, 1991 to 2½% in the towns and in those cities which have not imposed their own sales tax, a hotel occupancy tax, a motor vehicle tax, departmental fees and charges. An additional ½% sales tax was authorized and imposed in March, 2004, within the towns and cities not imposing sales tax.

**Real Property Tax**

The County derives approximately 35% of its annual revenues through a direct real property tax. Set forth in the following table is the amount of the annual tax levy of the County for the past five years.

**TABLE 17**  
**Real Property Tax**

	<u>Amended 2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Tax Levy for County Purposes	\$ 479,307,830	\$ 403,401,762	\$ 351,138,011	\$ 338,325,430	\$ 356,716,080	\$ 363,158,394
Tax Levy for Sewer, Water and Refuse Disposal Districts	<u>124,566,000</u>	<u>116,922,870</u>	<u>105,821,650</u>	<u>107,031,410</u>	<u>105,732,000</u>	<u>108,227,010</u>
	<u>\$ 603,873,830</u>	<u>\$ 520,324,632</u>	<u>\$ 456,959,661</u>	<u>\$ 445,356,840</u>	<u>\$ 462,448,080</u>	<u>\$ 471,385,404</u>



*Tax Limit.* The amount that may be raised by the County-wide tax levy on real estate in any fiscal year for purposes other than for debt service on County indebtedness, is limited to one and one-half per centum (subject to increase up to two per centum by State legislative enactment) of the average full valuation of taxable real estate of the County.

The following table sets forth such real estate taxing limit of the County for the fiscal year 2004.

**TABLE 18**  
**Computation of Constitutional Taxing Power**  
**For the Fiscal Year 2004**

<u>Year</u>	<u>2004 Full Valuation of Real Estate</u> (a)
1999 .....	\$ 72,854,956,520
2000 .....	73,846,979,489
2001 .....	81,833,024,754
2002 .....	90,284,817,994
2003 .....	<u>101,056,162,793</u>
Total .....	<u>\$ 419,875,941,550</u>
Five-year average full valuation .....	<u>\$ 83,975,188,310</u>
Tax Limit: (1.5%).....	1,259,627,825
Total Additions.....	<u>105,394,277</u> (b)
Total taxing power.....	1,365,022,102
Total levy for 2004 .....	<u>479,307,830</u>
Tax Margin.....	<u>\$ 885,714,272</u>

- (a) Data taken from official New York State Equalization Tables as established by the New York State Board of Equalization and Assessment.
- (b) The following items in the 2004 amended budget are excludable from the Constitutional Tax Limit: Debt Service, \$102,198,674; taxes levied to pay costs of capital projects on a current basis without resorting to borrowing, \$3,195,277, for equipment replacements.

**Assessed and Full Valuation, County Tax Levy and Rates**

The following table sets forth five years of the assessed and full valuation of taxable real property, the County's real property tax levy for County purposes and rates of tax per \$1,000.

**TABLE 19**  
**Valuation, Tax Levy and Rates**

<u>Year</u>	<u>Assessed Valuation</u> (a)	<u>Full Valuation</u> (a)	<u>Levied for County Purposes</u>	<u>Rate per \$1,000 of Assessed Valuation</u>
2004	\$ 9,123,103,791	\$136,336,055,634	\$ 479,307,830	52.54
2003	8,864,268,966	102,168,437,341	403,401,762	45.50
2002	8,573,501,923	91,745,357,988	351,138,011	40.95
2001	8,303,376,843	83,791,204,647	338,325,430	40.75
2000	8,081,611,883	75,406,233,748	356,716,080	44.14

(a) Westchester County Tax Commission.

The County-wide real estate tax levy is determined by subtracting all other available revenues from total expenditures necessary for County purposes and District purposes.

The County-wide real estate tax levy is collected by the cities and towns within the County, each of which constitutes a separate tax district and, as such, is required by statute to collect its proportionate share of such tax levy. Payment of such share must be made to the Commissioner of Finance of the County as collected, and in any event, not less than sixty per centum must be paid by May 25th and the balance must be paid by October 15th of the year for which such taxes are levied.

Unlike most other counties within the State, the County is not legally responsible or liable to the cities, towns, and other municipal corporations and school districts in the County for the amount of any unpaid delinquent County or local taxes. Instead, pursuant to applicable provisions of its Charter and Administrative Code and the State Real Property Tax Law, the County is required to include the amount of any unpaid County-wide taxes in the levy for the subsequent fiscal year on the particular tax district. Consequently, the cities and towns within the County remain liable for the collection of delinquent taxes and bear the burden of enforcement procedures.

However, in the event of the failure of a tax district to pay when due the full amount of its share of taxes payable to the County, the County may sell tax anticipation notes, which notes are redeemable out of such delinquent taxes and any penalties thereon which are payable by the tax district to the County. The County last sold tax anticipation notes for this purpose in 1972. (See "Tax Collection Record" and "Temporary Borrowing.")

These statutes relating to collection of the County-wide tax levy place the burden for collecting unpaid delinquent taxes together with enforcement proceedings therefor, upon the respective tax district, with the result that any liability for unpaid delinquent taxes is not shared by all County taxpayers.

### Tax Collection Record

Set forth below (and as a result of the statutory requirements above) is the tax collection record of the County and district levies for the past five years.

**TABLE 20**

#### Tax Collection Record

<u>Fiscal Year Ending December 31</u>	<u>Total Ad Valorem or General Property Tax</u>	<u>Actual Collection</u>	<u>Uncollected at End of Tax or Fiscal Year</u>
2004	\$ 603,873,830	\$ 362,324,298 (a)	\$
2003	520,324,632	520,324,632	—
2002	456,959,661	456,959,661	—
2001	445,356,840	445,356,840	—
2000	462,448,080	462,448,080	—

(a) As of September 30, 2004.

### Sales Tax

The County presently imposes a 1½% County-wide sales and use tax on all retail sales. Additionally, the State imposes a 4¼% State sales tax and a ¼% sales tax levied in the Metropolitan Transportation Authority District. The cities in the County have the power under State law to impose by local law and State legislative enactment their own sales and use taxes. At present, such taxes are imposed at a rate of 2% in the City of White Plains and at 2 ½% in Mount Vernon, New Rochelle, and Yonkers.

In July 1991, the State Legislature authorized an additional 1% sales tax for the County to impose in localities other than cities which have their own sales tax. This additional 1% sales tax became effective on October 15, 1991 and has been extended through May 31, 2006. The additional 1% sales tax is to be apportioned between the County (33 ⅓%), school districts in the County (16 ⅔%) and towns, villages and cities in the County which have not imposed sales taxes (50%).

In February, 2004, the State Legislature authorized an increase to the additional 1% sales tax originally enacted in July, 1991, of an additional ½ percentage point. The County will retain 70% of that ½ percentage point increase with the balance of 30% to be shared with the municipalities (20%) and school districts (10%). This increase has been in effect from March 1, 2004. This additional ½ percentage point will expire on May 31, 2006. The combined sales tax in the County is 7½%.

### Other Revenues

The Hotel Occupancy Tax went into effect on January 1, 1988. In 2003, the County realized \$4,207,246 from imposition of the tax. Budgeted revenues are \$4,335,000 for 2004.

The Motor Vehicle Tax, which became effective in the third quarter of 1991, generated revenue of \$4,988,152 in 2003. The budget estimate is \$9,215,000 for 2004. The 2004 estimate is based on the authority to triple the fees for 10 months. Due to delays in implementation, these increases did not take effect until June 1<sup>st</sup>.

The 2003 budget estimate for Federal and State aid was \$370.1 million for all categories including social services programs, mental health, public health, transportation and other County programs. The County actually earned \$394.6 million in Federal and State aid in 2003.

The 2004 budget anticipates a total of \$369.3 million of Federal and State aid, which includes \$258.5 million in Federal and State aid for Social Service programs and \$110.8 million for mental health, public health, transportation and other County programs. Of such amounts, approximately 34.8% (\$128.4 million) is Federal aid and 65.2% (\$240.9 million) is State aid.

In recent years, the County has had surplus funds available from operations. A portion of these funds has been used from time to time during the course of the fiscal year to finance supplemental appropriations for unanticipated County needs. The balance of such surplus funds are available for appropriation in the budget adopted for the second fiscal year following the year in which such surplus resulted.

The County also anticipates receiving approximately \$180.3 million in Federal, State and private grants in 2004. These grants are not appropriated as part of the Operating Budget and are used primarily to augment current operations and for special demonstration projects and programs. Should funding for any such grant be stopped at any point, it is the policy and general practice of the County to suspend such programs funded by such grants. This policy has been reaffirmed in recent acts adopting the Operating Budget in the following terms: "Where personnel are employed under a grant or a trust, such employment shall terminate at the expiration of funds provided by the trust or grant."

## Expenditures

The County's major expenditures are primarily for social services, public health, public safety and transportation. Municipalities and school districts located within the County provide primary police and fire protection, refuse collection and primary and secondary education. General Fund expenditures and other financing uses totaled \$1.2 billion during 2003, of which 40.5% was spent for Economic Assistance.

The 2004 Operating Budget for the General Fund anticipates expenditures and other financing uses to total \$1.43 billion with an estimated 37% being spent on economic assistance.

As a result of Chapter 966 of the New York Laws 1976, a unified State-wide Court System was established in April 1977. The counties are no longer fiscally responsible for those operations assumed by the State. Costs not assumed by the County, representing \$44.5 million for 2003 and \$53.6 million in 2004, include charges for rentals, debt service for and equipment and maintenance of County-owned facilities and certain support services provided to the courts.

**TABLE 21**  
**Expenditures by Major Category**  
**General Fund**  
**(Dollars in Thousands)**

	Amended Budget 2004 (a)	Actuals				
		2003	2002	2001	2000	1999
General Government.....	\$ 113,396	\$ 78,236	\$ 79,331	\$ 73,984	\$ 80,454	\$ 78,142
Education .....	133,346	123,146	111,140	91,518	74,022	59,174
Public Safety .....	188,120	176,301	178,914	172,411	159,701	148,088
Health .....	47,952	46,027	52,667	45,063	45,804	131,059
Transportation .....	76,159	72,673	71,751	67,035	61,804	61,451
Economic Assistance .....	534,541	487,347	481,880	441,760	424,466	418,514
Culture and Recreation .....	42,676	38,271	38,934	38,474	34,085	30,824
Home and Community Services .....	3,617	2,702	3,105	3,026	2,546	2,071
Employee Benefits.....	137,473	105,009	85,269	83,596	79,410	74,955
Capital Outlay .....	783	845	1,825	2,120	1,204	1,350
Debt Service.....	68,023	70,239	65,120	60,988	62,259	72,724
Transfers Out .....	2,588	3,300	3,640	19,375	18,182	19,019
WCHCC Credit Support .....	85,000 <sup>(b)</sup>	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
Total Expenditures .....	<u>\$ 1,433,674</u>	<u>\$ 1,204,096</u>	<u>\$ 1,173,576</u>	<u>\$ 1,099,350</u>	<u>\$ 1,043,937</u>	<u>\$ 1,097,371</u>

(a) As amended through September 30, 2004.

(b) This is an appropriation to provide credit support and is offset by an equal amount in revenue.

## County Deposits and Investments

New York State law strictly limits the investments of county funds and requires counties to designate, with legislative approval, one or more banks or trust companies for the deposit of public funds. All deposits must be made to the credit of

the county and all such deposits in excess of the amount insured under the provisions of the Federal Deposit Insurance Act must be fully collateralized by "eligible securities" held pursuant to agreement (under New York State Law) between the county and each depository bank. Eligible securities that the County utilizes as collateral by the banks for benefit of the County, include the following:

- 1) Obligations issued by the United States of America, an agency thereof or a United States Government sponsored corporation or agency obligations fully insured or guaranteed as to the payment of principal and interest by the United States of America.
- 2) Obligations issued or fully insured or guaranteed by New York State, obligations issued by a municipal corporation, school district or district corporation of New York State or obligations of any public benefit corporation which, under a specific New York State statute, may be accepted as security for deposit or public monies.
- 3) Zero-Coupon obligations of the United States government marketed as "Treasury STRIPS" (which may be utilized to match-fund specific obligations).

Collateral agreements entered into by the County must stipulate that eligible securities are pledged by the bank as security for County deposits and must provide the conditions under which the securities held may be valued, sold, presented for payment, or released and the events of default which will enable the County to exercise its rights and define its obligations as they relate to the pledged securities. Such collateral agreements must also provide that pledged securities will be held by a bank as agent and custodian for the County, will be kept separate and apart from the general assets of the bank and will not, in any circumstances, be commingled with or become part of the backing for any other deposit or other liabilities of the bank.

The County has the power to invest funds of the County not required for immediate expenditure in special time deposit accounts in, or certificates of deposits issued by, a bank or trust company located and authorized to do business in the State of New York. Any such investments must be payable within such times as the proceeds shall be needed to meet expenditures for which such monies were obtained and must provide that such time deposit account or certificate of deposit be collateralized in the same manner as provided for deposits above. All such temporary investments are structured to be payable or redeemable at the option of the County within such times as the proceeds will be needed by the County. This "matching" investment policy frees the County from having to sell such investments prior to maturity or redemption and thereby avoids market risk for such investments. The County has no authority to apply County funds solely for investment purposes. The County may also make temporary investments of public funds in obligations of the United States of America where the payment of principal and interest are guaranteed by the United States of America or in obligations of the State of New York or with the approval of the New York State Comptroller in short-term obligations of New York State municipal corporations.

The County's written Investment Policy as approved by the Board of Legislators is conservative in practice as well as in design. All trading partners are either primary dealer investment banks chosen from The Federal Reserve Primary Dealer List or highly rated, well capitalized, commercial banks as determined by the County's own strict due diligence review.

Usual County investments consist of Certificates of Deposit, United States Government Bills, Bonds or Notes backed by the full faith and credit of the United States, and Repurchase Agreements based in the same United States Government securities, under standardized trading partner repurchase agreements. Such purchased securities are held with third party custodians until repurchase date and are marked to market daily, valued at 102% of the Repurchase Agreement contract.

Commercial bank Certificates of Deposit are collateralized with Bills, Bonds or Notes as described above and held for the benefit of the County.

## **BUDGETARY PROCESS**

The Department of the Budget is by Charter responsible for the formulation and management of the budget and for its execution, revenue estimates, review and financial analysis. The Department assists the County Executive with the preparation of the budget and presentation to the Board of Legislators. Budget formulation commences in June of each year with a call for budget submissions to all County Departments. By September 10<sup>th</sup> of each year, Department Heads submit their requests for the next fiscal year with expenditure and revenue estimates. These estimates are reviewed by the Budget Department and the County Executive, and the County Executive's proposed budget is then presented to the Board on or before November 15. In turn, the Committee on Budget and Appropriations of the Board of Legislators reviews the proposed budget and makes recommendations to amend and/or adopt the budget by December 27. The Budget is presented on a department and program basis by object of expenditure and includes the general operating budget for the County, a budget for each of the water, sewer and refuse disposal districts and the capital budget for the County. The capital budget is presented with a five-year plan and is subject to a separate budget process, beginning April of each year and ending

with the adoption of the capital budget program for the succeeding five years sometime in September. The budget document is published both in its proposed and adopted form. For the widest possible dissemination, the County's Budget is now available on the County's website at <http://www.westchestergov.com>.

The basic format and content of the operating and capital budgets are fixed by Charter. From time to time during the course of a fiscal year, additional appropriations and modifications of the budget may be enacted. Additional appropriations to the current year's budget requires the recommendation of the County Executive and approval of the Board.

## **FINANCIAL CONTROLS**

During the course of the year, the Budget Department in addition to the Department of Finance maintains supervision and control over expenditures and appropriations and monitors revenues. At least monthly reports on the foregoing are rendered. Once adopted, the annual budget is released to the operating departments. No expenditures may be made unless they are included as part of an allocation. The County operates a full encumbrance accounting system based on allocations wherein requisitions, purchase orders and contracts are encumbered. In addition, all capital outlays must receive a separate allocation. Pursuant to the County Charter, with certain exceptions, contracts must receive prior approval by the Board of Acquisition and Contract, comprised of the Chairman of the Board, the County Executive and the Commissioner of Public Works. A position control system is maintained with respect to employment. The Commissioner of Finance may not disburse money unless appropriated and allocated and not in excess of the amount of the appropriation or allocation. No appropriation may be used for any purpose other than that for which it is made. All unencumbered balances in the General Fund appropriation for each fiscal year lapse on the last day of the fiscal year.

## **HOSPITAL GOVERNANCE/WESTCHESTER COUNTY HEALTH CARE CORPORATION**

Prior to December 31, 1997, the County, through its Department of Hospitals, operated the Westchester County Medical Center and the Ruth Taylor Institute ("WCMC"). In February, 1997, the New York State Legislature amended the New York Public Authorities Law ("Public Authorities law") by adding a new Article 10-C, Title I, which contemplated that the needs of the residents of the State of New York and the County would best be served by transferring WCMC to a public benefit corporation and thereby creating the Westchester County Health Care Corporation ("WCHCC").

The County Board adopted Local Laws which amended the Charter to provide the County with the authority to lease certain premises to WCHCC and authorized the County to enter into agreements with the WCHCC in order to transfer the facilities and operations under the jurisdiction of the Department of Hospitals to WCHCC. On January 1, 1998, the facilities and operations under the jurisdiction of the Department of Hospitals were transferred to WCHCC. The Department of Hospitals ceased to exist as a County department and the WCHCC assumed complete operation of WCMC. Thereafter, on December 30, 1998, the County and WCHCC entered into a Transition Agreement which amended and restated a 1997 Operating Agreement and also entered into a Restated and Amended Lease Agreement which superseded a 1997 Lease Agreement.

### **Transition Agreement**

Pursuant to a First Amendment to the Transition Agreement, dated as of December 21, 1999, between the County and WCHCC, in December 1999, the County prepaid certain funding obligations under the Transition Agreement in one lump-sum payment of \$63.4 million. The County's lump-sum payment, together with the reimbursement of the County's payment of \$26 million for fiscal year 1999, was funded by the sale by the County, on December 22, 1999, of its right to receive its portion of the State's allocable share of payments to be made by cigarette manufacturers under the Master Settlement Agreement entered into by the attorneys general of forty-six states, including New York, and the four largest United States tobacco manufacturers, to the Westchester Tobacco Asset Securitization Corporation ("WTASC"), a subsidiary of WCHCC, for \$89.4 million together with the right to receive all tobacco settlement residual payments. The First Amendment to the Transition Agreement also included the agreement of the County to enter into a guaranty agreement for all or a portion of WCHCC's indebtedness relating to the Children's Hospital Project, certain refinancing of existing indebtedness and capital program indebtedness. The County also acknowledged that its guaranty may be of indebtedness subordinate to bonds to be issued from time to time by WCHCC.

Pursuant to the Transition Agreement, the County transferred a total of \$54,484,775 from the County's 6-n liability and casualty reserve fund to WCHCC ("6-n reserves") which represented monies previously reserved for cases that had been brought against the County, acting by and through its Department of Hospitals, prior to the creation of the public

benefit corporation in which the County is a named defendant and has ultimate liability for such claims. In exchange for the transfer of the 6-n reserves, WCHCC contractually agreed to indemnify and hold harmless the County for such liability and provide defense for the cases linked to the 6-n reserves ("6-n cases").

WCHCC advised the County that the 6-n reserves that were transferred had been exhausted in order to pay for judgments/settlements on a portion of these transferred cases, that there are still a number of open cases and that WCHCC does not have sufficient funds in its self insurance fund to pay for its aforementioned contractual obligation to defend, indemnify and hold harmless the County for these 6-n cases.

Notwithstanding WCHCC's contractual liability, the County is a named defendant in these open, transferred 6-n cases, and legally has the ultimate liability to pay these claims if WCHCC cannot honor its contractual obligations. The County has the legal authority to issue bonds for judgments and settlements related to its own liabilities and for related legal defense costs.

In order to resolve this situation, the Board approved Local Law 17-2003 amending the Transition Agreement and also authorized the County to issue bonds in the amount of \$4.5 million pursuant to Bond Act 230-2003 in order to satisfy claims that must be paid in the near future. It should be noted that subsequent requests will be made by WCHCC for further bonding as the remaining claims mature.

Pursuant to a Second Amendment to the Transition Agreement dated as of December 1, 2003, the County agreed to relieve WCHCC of its obligation to pay from its own funds all liability and related defense costs with regard to certain 6-n cases listed in Schedule "A" attached to the Second Amendment based on WCHCC's agreement that it will be contractually bound to indemnify the County for the costs the County incurs related to these claims, including but not limited to, the County's costs of issuance, the settlement/judgment amounts, and the Corporation's related defense costs.

The Public Authorities Law authorized the County to make loans to WCHCC or provide credit support for the loans made by others to WCHCC for its working capital needs. The Transition Agreement fixes the County's Credit Support obligations remaining for the term of the agreement as follows:

2004	\$85 million	2006	\$75 million
2005	\$80 million	2007	\$70 million

In addition, the County may, after June 1st of each year, advance money to WCHCC to meet its reasonable working capital needs in exchange for note(s) of WCHCC which shall mature and be due and payable two (2) business days prior to the maturity date of any outstanding TAN borrowing of the County.

The County is obligated to guarantee the debt of WCHCC to the extent necessary to finance capital projects that appear in WCHCC's capital budget during the term of the Transition Agreement. If WCHCC cannot issue debt with the County's guarantee or if to do so would have a material adverse financial impact on WCHCC, then the County will be obligated to issue County Bonds to fund capital projects of WCHCC.

### **Guaranty Agreements and Bonds**

Pursuant to the terms of the Guaranty Agreement dated as of November 1, 2000 between the County and WCHCC (the "Guaranty Agreement"), the County has agreed to guarantee the payment of the principal of and interest on Revenue Bonds (Series 2000B – Subordinate Lien), Revenue Bonds (Series 2000C-1 Tax Exempt – Subordinate Lien) and Revenue Bonds (Series 2000C-2 Taxable– Subordinate Lien) issued by WCHCC on November 14, 2000 in the aggregate principal amount of \$141,860,000 (the "WCHCC Bonds") to finance the Children's Hospital Project, refinance certain existing County indebtedness, and finance various related capital projects. A \$50,550,000 portion of the WCHCC Bonds were issued as variable interest rate bonds for which the County has the right, after making certain determinations under the Guaranty Agreement, to direct WCHCC to convert such bonds to a fixed interest rate.

The County will pledge its faith and credit for the performance of this guaranty. All payments to be made by the County pursuant to the Guaranty Agreement will be made solely to the United States Trust Company of New York, as Trustee for the holders of the WCHCC Bonds, in amounts necessary from time to time to restore to the Debt Service Reserve Fund for such WCHCC Bonds, the amounts withdrawn therefrom by the Trustee to pay principal of and interest on the WCHCC Bonds. On or prior to November 1 in each year, the Trustee will be required to certify to the Commissioner of Finance of the County and the Chairman of WCHCC the amount of such withdrawals made from such Debt Service Reserve Fund during such year. This amount will be required to be included in the County's tentative budget required to be filed with the Clerk of the County on or before November 15 in such year. The County will be required to

make payment of such additional amount required to be deposited in the Debt Service Reserve Fund on or before April 15 of the fiscal year following such certification.

The maximum total annual debt service requirement for the WCHCC Bonds, assuming a maximum 5.50% annual interest rate on the variable interest rate WCHCC Bonds, is approximately \$13,412,000. Correspondingly, this is the maximum annual amount for which the County could be required to make payment to the Trustee in any fiscal year while the WCHCC Bonds are outstanding, based on such annual interest rate assumption for the variable interest rate WCHCC Bonds.

In addition, on July 23, 2001 and April 8, 2002 the Board by Act Numbers 165-2001 and 78-2002 respectively, authorized the execution of guarantee agreements between the County and WCHCC providing for the guarantee of bonds or other evidence of indebtedness to be issued by WCHCC for a combined amount not to exceed \$30 million to finance 2001 and 2002 capital budget costs of various facilities for WCHCC.

As a supplement to the agreements authorized by Act Numbers 165-2001 and 78-2002, and at the request of WCHCC, on October 28, 2002 the Board approved Bond Act No. 235-2002 in an amount not to exceed Twenty Five Million (\$25,000,000) Dollars to fund WCHCC's 2001 and 2002 capital budget costs of various facilities, and the costs of issuance. To the extent WCHCC has already made expenditures against its 2001 and 2002 capital budgets, the County may not be able to issue bonds for such previously expended amount. In this event, WCHCC may finance these expenditures through a private placement of WCHCC debt with the County's existing guarantee authorization.

WCHCC had requested the County to proceed pursuant to Section 6.9(B) of the Transition Agreement which provides that the County is obligated to issue County Bonds to fund Capital Projects of WCHCC provided that either (i) WCHCC cannot obtain capital financing with the County's guarantee or (ii) can obtain capital financing with the County's guarantee but to do so would have a material adverse financial impact. WCHCC advised that if it issues bonds with the County's guarantee, to do so would have a material adverse financial impact on WCHCC, in that WCHCC anticipates that the costs of issuance associated with bonds issued by WCHCC with a County guarantee would be substantially greater than the costs of issuance associated with bonds issued by the County on behalf of WCHCC. Bond Act No. 235-2002 complies with the terms of Section 6.9(B) of the Transition Agreement, and authorized the issuance of the 2002F Bonds.

At the request of WCHCC, on July 14, 2003 the Board approved Bond Act No. 167-2003 in an amount not to exceed Fifteen Million Dollars to fund WCHCC's 2003 capital budget costs of various facilities, and the costs of issuance. The Board amended Bond Act No. 167-2003 to reduce the amount of bonds authorized from Fifteen Million (\$15,000,000) Dollars to Seven Million (\$7,000,000) Dollars.

### **Restated and Amended Lease Agreement**

The Restated Lease Agreement is for a term of 60 years commencing on January 1, 1998 and provides WCHCC with four renewal options. WCHCC shall have the right to extend the term of the Restated Lease at Market Rent for three additional terms of ten (10) years each and one additional term of five (5) years. WCHCC will pay a Base Rent in an amount equal to the principal and interest due from time to time on general obligation bonds of the County that have been issued or are hereafter issued by the County to finance capital projects of WCHCC as set forth in the Transition Agreement.

### **Financial Measures**

The Transition Agreement requires that the Hospital achieve financial results, on an annual basis, for at least six (6) of the ten (10) Financial Measures that are both (a) at least as favorable as the results achieved by the Hospital for fiscal year 1997 and (b) at least 75% as favorable as the results for the immediately preceding fiscal year.

As of December 31, 2003, 2002 and 2001, WCHCC failed the financial tests of the County covered in the Transition Agreement. In accordance with the Transition Agreement, based upon the failure to achieve the required financial results described in Section 20.4(a), WCHCC and the County were required to form a committee to select a consultant to advise on all aspects of the management of WCHCC and the businesses which WCHCC operates. Upon receipt of the consultant's report, WCHCC is required to follow the written recommendations of the consultant, provided such recommendations are consistent with all applicable laws and the mission statement and bylaws of WCHCC.

The Transition Agreement also states that WCHCC's failure to satisfy the Financial Measures set forth in Section 20.4(a) shall not be deemed a Financial Default or Nonfinancial Default under the Transition Agreement so long as WCHCC materially complies with all lawful written recommendations of the consultant.

Pitts Management has been engaged to operate WCHCC and is implementing the recommended modifications to WCHCC's services, cost structure, staffing and delivery model.

## **FINANCIAL STATEMENTS AND ACCOUNTING PROCEDURES**

Included in Appendix A are the financial statements of the County for the year ended December 31, 2003, together with the report thereon, dated May 14, 2004, of Bennett Kielson Storch DeSantis, the Government Services Division of O'Connor Davies Munns & Dobbins, LLP, independent certified public accountants. Appendix B contains the budgets for 2002 through 2004, as amended.

As of fiscal year 2002, the County adopted the provisions of Government Accounting Standards Board Statements No. 33, 34, 36, 37 and 38 applicable to governmental funds.

## **RESULTS OF OPERATIONS FOR THE GENERAL FUND FOR THE 2003 BUDGET YEAR AND THE BUDGET FOR 2004 AS AMENDED**

The audited 2003 fiscal year resulted in a year-end undesignated fund balance of \$30,700,314 compared to the restated, undesignated 2002 fund balance of \$20,562,453.

The 2004 Budget had an increase in tax levy of \$77,904,068. Total County spending in the General Fund Budget, as amended, increased by \$96,849,768. The appropriation of fund balance, as amended, was \$40.8 million, consisting of Reserve for Encumbrances, \$6.6 million and Undesignated, \$24.5 million. Also included is \$9.7 million from Fund Balance designated for Union Contracts settlement. In Social Services, appropriations increased by \$30.1 million. Although welfare reform continues to reduce caseloads, Medicaid continues to rise. 2004 sales tax revenue is budgeted at \$40 million above 2003, as economic activity has begun to improve. \$31 million on the growth reflects the implementation of a ½ cent increase on March 1, 2004.

## **EMPLOYEES**

The County provides services through approximately 5,906 full-time equivalent employees; 222 of these employees have been determined to be in the titles that are on the level of Deputy Commissioner and up or confidential in nature and thus are not represented by any labor organization. All other employees are in titles that are represented for collective bargaining purposes. This representation is provided by nine separate labor organizations, which are:

The New York State Nurses Association (NYSNA) representing 69 registered nurses in various County departments;

The Westchester County Correction Officers Benevolent Association (COBA) representing 754 correction officers;

The Westchester County Correction Department Superior Officers Association (SOA) representing 125 senior assistant wardens, sergeants, captains and specialists;

The Westchester Community College Federation of Teachers (WCCFT) representing 234 teaching and supporting professional staff and a varying number of adjunct (part-time) faculty at Westchester Community College;

The Westchester County Police Officers Benevolent Association, Inc. (PBA) representing 231 police officers and sergeants in the Police Division, Public Safety Services;

The Westchester County Police Officers Benevolent Association, Superior Officers Unit (SPBA) representing 19 Captains and Lieutenants in the Police Division, Public Safety Services;

The District Attorney Investigators PBA of Westchester County (DA Investigators) representing 35 Criminal Investigators in the District Attorney's Office;

Local 456, International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America, AFL-CIO representing 190 administrators and managers;

The Civil Service Employees Association (CSEA) representing all titles and County employees other than those mentioned above. This representation amounts to 4,027 employees.



The collective bargaining agreements expire at different times. The NYSNA expired on December 31, 2001; negotiations for a new contract are in mediation. The COBA and SOA contracts expired on December 31, 2002; the COBA contract is in arbitration; SOA is in negotiation. The WCCFT contract expired on August 31, 2004. The PBA and SPBA are in the second year of two year contracts, which expire on December 31, 2004. The DA Investigator's contract expired on December 31, 2002; negotiations are in progress. The CSEA is in the third year of a four year contract, which expires on December 31, 2005. The Local 456 Teamster's contract expired on December 31, 2001; hearings in front of the Public Employees' Relations Board concerning the appropriateness of the bargaining unit are ongoing.

Since 1968, with the implementation of the Taylor Law, procedures in Westchester County labor relations have been both reasonable and amicable.

## Pension Systems

Pension benefits for County employees are covered primarily under the New York State and Local Employees' Retirement System. However, County Police are covered under the New York State and Local Police and Fire Retirement System, and faculty members of Westchester Community College, a County-sponsored organization, have the option, within 30 days of appointment, of choosing between the New York State Teachers' Retirement System, the Teachers' Insurance and Annuity Association/College Retirement Equities Fund ("TIAA/CREF") or the New York State Retirement System. All employees are on a non-contributory basis, except for those employees (other than members of the Police and Fire Retirement System) who have less than ten years full-time membership in the System and were hired after July 1, 1976. Such employees are required to contribute 3% of their salaries pursuant to State legislation enacted in 1976. The total pension cost is funded by the County of Westchester except for the portion which is contributory. The County's expense in connection with the New York State systems is funded on an actuarial basis provided by the State of New York. The County's cost for the last five years is scheduled in Table 22:

**TABLE 22**

### Payments to Employees' Retirement System (a)

	<u>Year Ended December 31</u>				
	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
New York State Employees Retirement System.....	\$ 29,575,082	\$ 4,536,621	\$ 11,159,034	\$ 5,030,140	\$ 3,491,404
New York State Policemen's and Firemen's Retirement System....	<u>1,176,384</u>	<u>30,237</u>	<u>21,167</u>	<u>110,678</u>	<u>1,677,704</u>
Total Payment .....	<u>\$ 30,751,466</u>	<u>\$ 4,566,858</u>	<u>\$ 11,180,201</u>	<u>\$ 5,140,818</u>	<u>\$ 5,169,108</u>

(a) Excludes payments to New York State Teacher's Retirement System, Teacher's Insurance and Annuity Association/College Retirement Equities Fund.

## MARKET FACTORS

The financial 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, including, for example, the seeking by a municipality of remedies pursuant to the Federal Bankruptcy Act 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 of 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.

The County is dependent in part on financial assistance from the State. However, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes or other revenues in order to pay State aid to municipalities and school districts in the State, including the County, in this year or future years, the County may be affected by a delay, until sufficient State taxes or other revenues have been received by the State to make State aid payments to the County.

There can be no assurance that the State will make timely payments of State aid to the County. The County's cash flow may be affected should the State delay or reduce such payments of aid to the County in the future.

## LITIGATION

The County, its officers, and its employees are the defendants in a number of lawsuits. The County Department of Law, headed by the County Attorney, has determined that there are no pending lawsuits which will have the potential for an expenditure of more than \$5,000,000 in excess of any applicable insurance or has not been provided for in the self insurance reserves, except as noted below.

With regard to the other pending litigation, it is the opinion of the County Attorney that the final determination of such litigation, either individually or in the aggregate, would not materially affect the County's financial position.

The County also receives numerous notices of claim each year. These notices, however, are usually not explicit enough for the County Attorney to accurately ascertain their potential for liability to the County.

*Certiorari Proceedings.* The various towns and cities within the County are defendants in numerous certiorari proceedings, the results of which generally require tax refunds on the part of the County. The dollar value of the actions currently pending is not available. However, General Fund refunds of \$5,538,663 were expended in 2003. For 2004, the County has budgeted \$9,000,000 which is projected to be sufficient to cover 2004 certiorari expenditures.

### Self Insurance

The County, in 1986, elected to self-insure its exposure for general negligence, medical malpractice, auto and public officials liability losses and in 1989 included workers' compensation as a self-insurance program. The County established self-insurance funds, pursuant to Sections 6-n and 6-j of the General Municipal Law of the State of New York. Applicable law provides that payment into the 6-n fund during any fiscal year shall not exceed the greater of thirty-three thousand dollars or five percent of the total budget for such fiscal year. The County has retained an independent claims adjustor to evaluate general negligence liability claims. The County has also retained the services of an independent actuary to evaluate its loss history and provide data to be used in establishing ultimate losses to be incurred. The actuary has certified as to the adequacy of the amount accrued as of December 31, 2003 for claims arising from 1986 through 2003 occurrences.

Of those cases instituted after the December 31, 2003 actuarial estimates which are covered by the County's Self-Insurance Fund, none is expected to result in exposure in excess of \$5,000,000.

The following case may have exposure of \$5,000,000 or more and is not covered by the County's Self-Insurance Fund.

*Spano et al. v. Novello:* In April of 2003, Westchester County commenced an Article 78 proceeding and sought a Temporary Restraining Order against the State from taking \$7.3 million dollars from Westchester County. The State claimed that these monies which they classified as "Medicaid reimbursement" for services rendered between 1984 through 1992 were owed by the County because they were disallowed by the federal government. During the course of the litigation, the State admitted to the Court that it had overbilled the County approximately \$400,000, but nevertheless the State still believed it was entitled to the balance from the County. By a Decision/Order dated October 14, 2003, the Honorable Justice of the Supreme Court John G. Connor found in favor of the County when it disagreed with the State and determined that the State's action was arbitrary and capricious and lacked rational basis. On November 20, 2003, the County received the State's Notice of Appeal of the decision. All Briefs have been filed by the State and County. As of September 24, 2004, the parties are awaiting scheduling of oral argument to be held before the Appellate Division Third Department.

See "Utility Services" herein for a discussion of certain administrative proceedings involving the County and State and federal environmental regulatory agencies, relating to the County's obligations to provide certain sewage treatment and sludge disposal facilities.

## TAX MATTERS

### Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the County, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however is included in

the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the County in connection with the Bonds, and Bond Counsel has assumed compliance by the County with its certifications to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel, under existing statutes, interest on the Bonds is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York and the city of Yonkers.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereinafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Bonds or on the exemption from state and local tax law of interest on the Bonds.

### **Certain Ongoing Federal Tax Requirements and Certifications**

The Code establishes certain significant ongoing requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on such Obligations be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The County has certified to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

### **Certain Collateral Federal Tax Consequences**

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Bonds.

Prospective owners of the Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

### **Original Issue Discount**

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity means the first price at which a substantial amount of those Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Bonds is expected to be the initial public offering price set forth on the cover page of the Official Statement. Bond Counsel further is of the opinion that, for any Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of interests in the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of interests in such Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of

determining various other tax consequences of owning interests in a Discount Bond even though there will not be a corresponding cash payment.

Owners of interests in Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of interests in Discount Bonds.

### **Bond Premium**

In general, if an owner acquires a Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond, determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

### **Possible Government Action**

Legislation affecting municipal bonds is regularly under consideration by the United States Congress. In addition, the Internal Revenue Service has established an expanded audit program for tax-exempt bonds. There can be no assurance that legislation enacted or proposed or an audit initiated by the Internal Revenue Service involving the Bonds or other tax-exempt bonds or notes will not have an adverse effect on the tax-exempt status or market price of the Bonds. There can be no assurance that legislation enacted or proposed after the date of issuance of the Bonds will not have an adverse effect on the tax-exempt status or market price of the Bonds.

## **RATINGS**

The Bonds have been assigned a rating of Aaa by Moody’s Investor Service (“Moody’s”), AAA by Standard and Poor’s Corporation (“S&P”) and AA+ by Fitch Ratings (“Fitch”).

An explanation of the significances of such ratings may be obtained from Moody’s, S & P, and Fitch. The ratings reflect the views of such rating agencies, and the County makes no representation as to the appropriateness of the ratings. Further, there is no assurance that such ratings will continue for any given period of time or that they will not be reviewed or withdrawn entirely if in the sole judgment of such rating agencies circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the trading value and the market price of the Bonds.

## **DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS**

### **Absence of Litigation**

Upon delivery of the Bonds, the County shall furnish a certificate of the County Attorney, dated the date of delivery of the Bonds, to the effect that said County Attorney has no record or knowledge of any litigation of any nature now pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Bonds; and further stating that, except as disclosed in this Official Statement, said County Attorney has no record or knowledge of any litigation of any nature now pending or threatened by or against the County wherein an adverse judgment or ruling could have a material adverse impact on the financial condition of the County or adversely affect the power of the County to levy, collect and enforce the collection of taxes or other revenues for the payment of the Bonds.

## **Legal Matters**

Legal matters incident to the authorization, issuance and sale of the Bonds will be subject to the final approving opinion of the law firm of Hawkins Delafield & Wood LLP, Bond Counsel. Such opinion will be available at the time of delivery of the Bonds and will be to the effect that the Bonds are valid and legally binding general obligations of the County for which the County has validly pledged its faith and credit and, unless paid from other sources, all the taxable real property within the County is subject to the levy of ad valorem real estate taxes to pay the Bonds and interest thereon without limitation of rate or amount. Said opinion shall also contain a further statement to the effect that the enforceability of rights or remedies with respect to such Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

## **Chief Fiscal Officer Certificate**

The original Purchasers of the Bonds shall receive a certificate, dated the date of delivery of the Bonds, signed by the Commissioner of Finance, the chief fiscal officer of the County, certifying that this Official Statement, as of its date, does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made are not misleading. In providing such certificate, said Officer will state that he has not undertaken to verify independently information obtained or derived from various United States Government publications and presented herein under "County of Westchester." Such certificate shall contain a further statement to the effect that since the date of the Official Statement up to and including the date of delivery of the Bonds there has been no material adverse change (not in the ordinary course of the operations of the County) in the condition, financial or otherwise, of the County from that set forth in or contemplated by the Official Statement.

## **Closing Certificates**

Upon the delivery of the Bonds, the Purchasers will be furnished with the following additional items: (i) a Certificate signed by the Commissioner of Finance, the chief fiscal officer of the County, evidencing payment for the Bonds; (ii) a Signature Certificate evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is pending or, to the knowledge of the signers, threatened, restraining or enjoining the issuance and delivery of the Bonds or the levy and collection of taxes to pay the principal and interest thereon, nor in any manner questioning the proceedings and authority under which the Bonds were authorized or affecting the validity of the Bonds thereunder, (b) neither the corporate existence or boundaries of the County nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; and (iii) an Arbitrage and Use of Proceeds Certificate signed by the Commissioner of Finance, as described under "Tax Matters".

## **ADDITIONAL INFORMATION**

Periodic public reports relating to the financial condition of the County, its operations and the balances, receipts and disbursements of the various Funds of the County are prepared by the Department of Finance, Department of Budget and independent certified public accountants of the County. In addition, the County regularly receives reports from consultants, commissions and special task forces relating to various aspects of the County's financial affairs, including capital projects, County services, taxation, revenue estimates, pensions and other matters. Additional copies may be obtained upon request from the office of the Commissioner of Finance, Peter P. Pucillo, at (914) 995-2757. This Official Statement is also available electronically on the Internet at [www.i-dealprospectus.com](http://www.i-dealprospectus.com).

**Any questions on any financial aspect of the County may be directed to the Commissioner of Finance, Peter P. Pucillo, at (914) 995-2757.**

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 Purchasers or holders of any of the Bonds.



**COUNTY OF WESTCHESTER**

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O'Connor Davies Munns & Dobbins, llp  
ACCOUNTANTS AND CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

To the Honorable Board of Legislators of the  
County of Westchester, New York:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Westchester, New York as of and for the year ended December 31, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the financial statements of the Westchester County Health Care Corporation (a component unit) for the year ended December 31, 2003, which represents 90% and 85%, respectively, of the assets and revenues of the component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions on the basic financial statements insofar as it relates to amounts included for such component unit is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 the other auditors, provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Westchester, New York at December 31, 2003 and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General and Sewer Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The financial statements of the Westchester County Health Care Corporation (WCHCC) have been prepared assuming that WCHCC continues as a going concern. As discussed in Note 4 to the financial statements, WCHCC has a working capital deficiency and a net assets deficiency as of December 31, 2003 that raise substantial doubt about WCHCC's ability to continue as a going concern. Management of WCHCC's plans in regard to these matters are also described in Note 4. The financial statements of WCHCC do not include any adjustments that might result from the outcome of this uncertainty.

Bennett Kielson Storch DeSantis Division

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2004 on our consideration of the County of Westchester, New York'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 made for the purpose of forming opinions on the financial statements that collectively comprise the County of Westchester, New York's basic financial statements. The accompanying financial information listed as combining and individual fund financial statements and schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the County of Westchester, New York. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as whole. The information listed in the statistical section of the table of contents has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and, accordingly we express no opinion on it.

***Bennett Kielson Storch DeSantis***

The Government Services Division of ODMD, LLP  
May 14, 2004

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The County of Westchester's (the County) Management Team offers the readers of the County's Financial Statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2003. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-5 of this report.

### **FINANCIAL HIGHLIGHTS**

- The assets of the County exceeded its liabilities at the year ended December 31, 2003 and 2002 by \$1,216,038,945 and \$1,196,184,267, respectively. The unrestricted net assets portion of this for 2003 is \$36,586,949 and may be used to meet the government's ongoing obligations to citizens and creditors. The net unrestricted assets decreased from the year 2002 in the amount of \$61,300,400, which was principally caused by a greater investment in capital assets and \$26 million had the County not contributed resources and assumed expenses to assist in stabilizing the financial condition of the Westchester County Health Care Corporation.
- The government's total net assets increased by \$19,854,678.
- The County's governmental funds reported for 2003 combined ending fund balances of \$270,023,093, a decrease of \$37,947,742 in comparison with the prior year's balance of \$307,970,835.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$93,413,854 or 7.8 percent of total General Fund expenditures.
- The County's long-term bond and note debt increased by \$27,176,912 (4.4 percent) during year 2003. The major factor in this increase was the issuance of \$44,400,000 of general obligation bonds and \$11,690,000 of Pension Bond Anticipation Notes.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components:

- 1) Government-wide financial statements;
- 2) Fund financial statements;
- 3) Notes to the financial statements

Additional statements and schedules can be found immediately following the notes to the financial statements. These include the combining statements for the non-major governmental funds and proprietary funds, schedules of budget to actual comparisons, and the statistical tables.

This report also contains other supplementary information in addition to the basic financial statements.

## **Government-Wide Financial Statements**

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

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

The statement of activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The governmental activities of the County include General Government, Education, Public Safety, Health Services, Transportation, Economic Assistance, Culture and Recreation, Home and Community Services and Interest.

The government-wide financial statements include not only the County itself (known as the primary government), but also legally separate component units for which the County is financially accountable.

The component units are comprised of the following:

- 1) Westchester County Health Care Corporation
- 2) Westchester Community College
- 3) Public Utility Service Agency
- 4) Industrial Development Agency

The Combining Statement of Net Assets for these component units is reported separately from the financial information presented for the primary government itself, on page 41.

The government-wide financial statements can be found on pages 24-26 of this report.

## **Fund Financial Statements**

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

## **Governmental Funds**

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

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

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

The County adopts an annual appropriated budget for its General Fund, Sewer Districts and certain other Governmental Funds (Airport, Water Districts and Refuse Disposal District). Budgetary comparison statements have been provided for these funds to demonstrate compliance with their budgets.

The basic governmental fund financial statements can be found on pages 28-40 of this report.

## **Proprietary Funds**

The internal service funds are the only proprietary funds maintained by the County. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for the health benefits of its employees and retirees, to provide for claims made against the County by third parties, and to provide workers' compensation coverage for the employees of the County.

All three of the internal service funds benefit governmental activities and have been included within governmental activities in the government-wide financial statements.

Individual fund data for the internal service funds are provided in the form of combining statements elsewhere in this report.

## **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's own programs. The basis of accounting used for fiduciary funds is the same as that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 40 of this report.

## **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 43-77 of this report.

## **Other Information**

Additional statements and schedules can be found immediately following the notes to the financial statements. These include the combining statements for the non-major governmental funds and proprietary funds, schedules of budget to actual comparisons, and the statistical tables.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

This is the second year for the government-wide financial statements using the full accrual basis of accounting and a comparative analysis is provided. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Primary Government (County), assets exceeded liabilities by \$1,216,038,945 and \$1,196,184,267 at the close of 2003 and 2002, respectively.

By far the largest portion of the County's net assets (88.4 percent) reflects its investment in capital assets (e.g., land, buildings, construction-in-progress, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**COUNTY OF WESTCHESTER  
NET ASSETS  
YEARS ENDED DECEMBER 31**

	<b>Total Governmental Activities</b>	
	<b>2003</b>	<b>2002</b>
Current and other assets	\$ 608,076,979	\$ 736,707,229
Capital assets, net	1,800,582,317	1,699,044,978
Total assets	<u>2,408,659,296</u>	<u>2,435,752,207</u>
Current liabilities	359,216,062	426,701,827
Long-term liabilities	833,404,289	812,866,113
Total liabilities	<u>1,192,620,351</u>	<u>1,239,567,940</u>
Net assets:		
Invested in capital assets, net of related debt	1,074,430,709	976,129,879
Restricted	105,021,287	122,167,039
Unrestricted	36,586,949	97,887,349
Total net assets	<u>\$ 1,216,038,945</u>	<u>\$ 1,196,184,267</u>

A portion of the County's 2003 net assets (8.6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$36,586,949, may be used to meet the government's ongoing obligations to citizens and creditors.

**Governmental Activities**

Governmental activities increased the County's net assets for 2003 by \$19,854,678, thereby accounting for an increase in net assets of the County. A comparative analysis of the changes in net assets follows:

**COUNTY OF WESTCHESTER  
CHANGES IN NET ASSETS**

	<b>Total Governmental Activities</b>	
	<b>2003</b>	<b>2002</b>
<b>Revenues:</b>		
Program Revenues:		
Charges for Services	\$ 155,963,504	\$ 192,997,304
Operating Grants and Contributions	519,045,605	475,496,358
Capital Grants and Contributions	24,520,365	39,550,072
Total Program Revenues	699,529,474	708,043,734
General Revenues		
Taxes on Real Property	520,324,632	456,959,661
Sales Tax	271,098,315	265,233,848
Earnings on Investments	6,596,353	10,895,039
Auto Use Tax	4,988,152	4,600,926
Hotel Tax	4,207,246	4,264,648
Tobacco Settlement Revenue	13,411,471	16,159,957
Miscellaneous	9,479,113	12,321,051
Total General Revenues	830,105,282	770,435,130
Total Revenues	1,529,634,756	1,478,478,864
<b>Expenses:</b>		
General Government	138,705,142	134,111,138
Education	79,335,356	113,104,318
Public Safety	231,869,468	233,940,407
Health Services	159,991,108	114,225,059
Transportation	121,241,113	110,926,243
Economic Assistance	552,565,823	552,114,611
Culture and Recreation	48,554,373	51,173,684
Home and Community Services	144,836,980	145,785,084
Interest—Debt Service	32,680,715	26,442,541
Total Expenses	1,509,780,078	1,481,823,085
Increase (Decrease) in Net Assets	19,854,678	(3,344,221)
Net Assets at Beginning of Year	1,196,184,267	1,199,528,488
Net Assets at End of Year	\$ 1,216,038,945	\$ 1,196,184,267

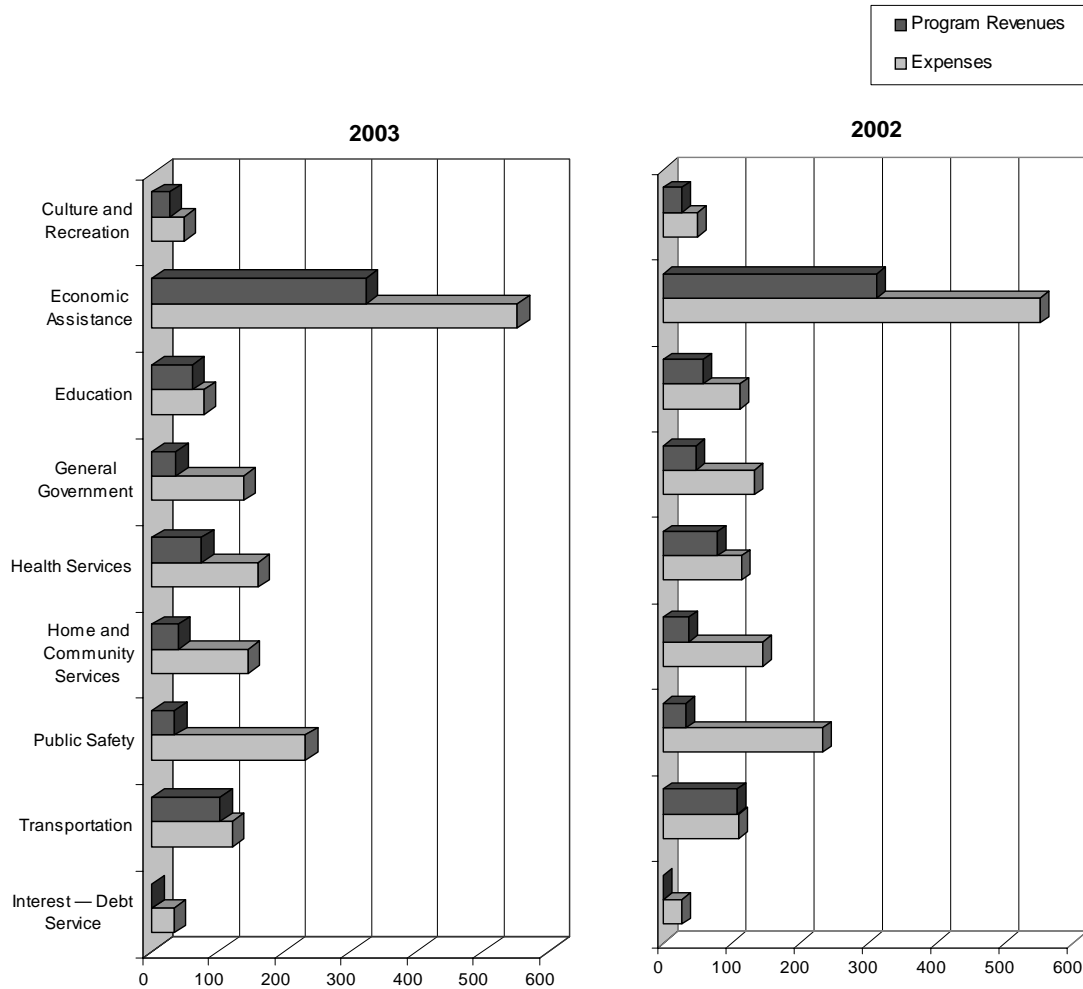
**For the Year 2003**

- Property taxes for all tax supported funds increased by \$63,364,971 (13.9%) during the year. Most of this increase was caused by State mandated programs.
- Sales taxes increased \$5,864,467 which was a 2.2% increase over the prior year.

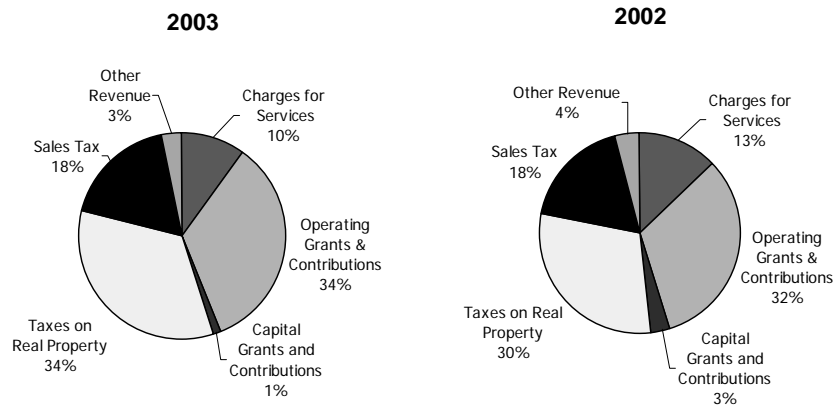


- Federal and State Aid for the General Fund increased by \$13,257,114 which amounted to an increase of 3.5%.

**Expenses and Program Revenues-Governmental Activities  
(in millions)**



## Revenues by Source—Governmental Activities



### Financial Analysis of the Government's Funds

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

### Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported a combined ending fund balance of \$270 million, a decrease of \$38 million in comparison with \$308 million of the prior year. Of the total combined fund balances, \$213.8 million constitutes unreserved fund balances, of which \$46.3 million has been designated for subsequent year's expenditures and represents the amount estimated for use in the 2004 budget. The balance of \$167.5 million is available for spending at the County's discretion. The remainder of the fund balance of \$56.2 million is reserved to indicate that it is not available for new spending because it has already been committed to encumbrances (\$7.9 million), debt service (\$9.2 million) (component unit note (\$24.9 million), State Receivable (\$10.0 million) and other purposes (\$4.2 million).

The General Fund is the primary operating fund of the County. At the end of the 2003 and 2002 fiscal years, the total fund balance of the General Fund was \$139.1 million and \$124.8 million, respectively. Of this amount, \$93.4 million and \$84.0 million, respectively, were unreserved.

When the fiscal 2003 budget was adopted, it anticipated the use of \$46.3 million of fund balance. Overall, General Fund expenditures were \$1,200.8 million, which was \$45.1 million less than the final budget. The major areas where spending was less than budget was General Government Support (\$8.7 million), Public Safety (\$5.6 million), Health Services (\$4.9 million), Economic Assistance (\$11.2 million), and Employee Benefits (\$6.2 million).

The revenue categories that reflected positive variances as compared to the budget were Federal and State Aid (\$24.4 million).

The Combined Sewer Districts Fund (a major fund) had a fund balance of \$63.3 million, which is an increase of \$4.0 million over year 2002's fund balance of \$59.3 million.

The Capital Projects Fund is used to account for capital project activity throughout the County. The Capital Projects Fund's ending fund balance was negative \$3.7 million for fiscal year 2003, as compared to a fund balance of \$53.8 in 2002. The decrease is from utilization of Bond Anticipation Note proceeds to pay capital costs which is not recognized as a revenue in Governmental Funds. The conversion of Bond Anticipation Notes to Bonds will be recognized as revenues in the future.

Nonmajor Governmental Funds consist of the Special Revenue Funds. The Special Revenue Funds are made up of the following individual funds: Airport Fund, Water Districts, Refuse Disposal District and Grants Fund. For fiscal year ending December 31, 2003, the combined fund balance of these funds totaled \$71.3 million. This represents an increase of \$1.2 million for fiscal year 2003 over year 2002's balance of \$70.1.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The General Fund final budget was increased over the original budget in the amount of \$11,017,500. This increase was a result of appropriating the proceeds from the sale of Pension Notes to pay the balance of the early retirement incentive.

During the year, actual revenues exceeded the budget in the amount of \$11.7 million principally because of the increase in Federal and State aid.

Actual expenditures were less than the budget by \$45.1 million with the largest savings in the Economic Assistance category.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### ***Capital Asset***

The County's investment in capital assets for its governmental activities as of December 31, 2003, amounts to \$1,800,582,317 (net of accumulated depreciation) as compared to \$1,699,044,978 in 2002, an increase of \$101,537,339. This investment in capital assets includes land, buildings, equipment, and infrastructure. The total increase in the County's investment in capital assets for the current fiscal year was 6.0 percent.

Major capital asset events during the current fiscal year included the following:

- Acquisition of 15 transit buses and 24 paratransit vans at a total cost in excess of \$6 million;
- Continued the construction of a new penitentiary building at a cost of \$29.4 million, which was completed and occupied in early 2004;
- Improvements and upgrades to the County's sewer districts at an estimated cost of \$46.5 million.

**COUNTY OF WESTCHESTER'S  
CAPITAL ASSETS  
(NET OF DEPRECIATION)**

	<b>Total Governmental Activities</b>	
	<b>2003</b>	<b>2002</b>
Land	\$ 186,916,901	\$ 177,079,726
Buildings	550,248,632	526,212,955
Construction-in-Progress	162,817,318	142,198,361
Equipment	168,997,290	151,978,962
Infrastructure	1,176,641,390	1,094,346,535
Total	<u>2,245,621,531</u>	<u>2,091,816,539</u>
Less Accumulated Depreciation	<u>445,039,214</u>	<u>392,771,561</u>
Net Capital Assets	<u>\$ 1,800,582,317</u>	<u>\$ 1,699,044,978</u>

Additional information on the County's capital assets can be found in Note 3 on page 52 of this report.

***Long-Term Debt***

At the end of the current fiscal year, the County had a total bonded and note debt outstanding of \$641,470,868 and a capital lease of \$132,541,623. In addition to the above debt, the County has guaranteed \$141,860,000 of Westchester County Health Care Corporation (WCHCC) bonds issued November 1, 2000. Of that amount, \$140,360,000 of these bonds are currently outstanding. See Note 3 for additional information.

General Obligation Bonds and Notes

<u>Total Governmental Activities</u>	
2003	2002
\$641,470,868	\$614,293,956

The County's total debt increased \$27,176,912 (4.4%) during the current fiscal year. The major factor in this increase was the issuance of \$44,400,000 of general obligation bonds for the County.

The County maintains a triple A credit rating from Moody's Investor Service and Standard and Poor's Corporation. Fitch lowered the County's rating to AA+ in March of 2004.

State statutes limit the amount of general obligation debt a County may issue to 7% of its five year average full valuation. The current debt limitation for the County is \$5,652,425,356 which is significantly in excess of the County's outstanding debt.

Additional information on the County's long-term debt can be found in Note 3 on pages 59-68 of the report.

### **WESTCHESTER COUNTY HEALTH CARE CORPORATION**

The Westchester County Health Care Corporation (WCHCC), a component unit of the County of Westchester, sustained significant losses for the year 2003 and year 2002 in the amount of \$84.6 million and \$65.7 million, respectively. WCHCC's unrestricted deficiency at December 31, 2003 and 2002 was \$176.5 million and \$91.7 million, respectively. WCHCC auditors KPMG in their independent auditors' report said:

*“The accompanying financial statements have been prepared assuming that WCHCC will continue as a going concern. As discussed in note 15 to the financial statements, WCHCC has a working capital and a net asset deficiency as of December 31, 2003 that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in note 15. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.”*

Note 15 of notes to financial statements of WCHCC says:

#### *(15) Liquidity and Basis of Presentation*

*“At December 31, 2003, WCHCC had a working capital deficiency of \$105.9 million and an unrestricted net deficiency of \$176.3 million. Additionally, WCHCC continues to experience operating losses and has forecasted continuing operating losses throughout 2004.*

*In order to improve WCHCC's operating results, the Board of Directors has initiated changes in certain top management personnel and had engaged an outside consulting firm to provide leadership as well as develop and implement a financial improvement plan. The plan, which was approved by the Board on June 14, 2004, is expected to take 18 months to fully implement and is expected to result in operating improvements aggregating \$75 million. Specific initiatives are in the areas of service growth, improved billing and cost reduction, including contract renegotiations, and a work force reduction of approximately 125 positions.*

*While management believes these initiatives will achieve their desired results, there can be no assurance that such plans will be sufficient or timely enough to generate sufficient cash to meet its operating needs and achieve financial stability for WCHCC. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.”*

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the County of Westchester's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Commissioner of Finance, County of Westchester, 148 Martine Avenue, Room 720, White Plains, New York 10601.

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**Westchester County**  
**Statement of Net Assets**  
**December 31, 2003**

	<b>Primary Government</b>		<b>Component Units</b>
	<b>Total Governmental Activities</b>		<b>Units</b>
<b>ASSETS</b>			
Cash	\$ 63,240,984	\$	73,855,966
Investments	262,187,907		190,852
Accounts Receivable Net of Allowance	59,577,972		100,263,446
Assets Limited as to Use	-		123,779,942
Due From Federal & State Governments	192,255,691		-
Note Receivable	26,065,000		-
Inventories	79,433		-
Deferred Charges	4,669,992		-
Other Assets	-		33,155,427
Land	186,916,901		6,638,418
Buildings	550,248,632		184,232,386
Equipment	162,817,318		188,530,930
Construction in Progress	168,997,290		125,924,811
Infrastructure	1,176,641,390		-
Accumulated Depreciation	(445,039,214)		(258,627,839)
<b>Total assets</b>	<b>2,408,659,296</b>		<b>577,944,339</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts Payable & Accrued Expenses	263,951,144	215,463,548	
Accrued Interest Payable	6,191,410		-
Bond Anticipation Notes	89,000,000		-
Deposits Payable	73,508		-
Notes Payable	-		86,040,000
<b>Non current liabilities:</b>			
Due Within One Year:			
Compensated Absences	2,460,000		178,815
Retirement Payable	-		1,553,570
Land Fill Post Closing Costs	645,091		-
Capital Lease Payable	5,200,000		-
Bonds Payable	68,069,078		2,701,403
Notes Payable	2,340,000		
Due in More Than One Year:			
Compensated Absences	22,140,000		7,731,813
Retirement Payable	-		-
Land Fill Post Closing Costs	32,140,516		-
Capital Lease Payable	127,341,623		-
Bonds Payable	563,717,981		257,488,732
Notes Payable	9,350,000		29,425,000
Other Non Current Liabilities	-		79,556,644
<b>Total liabilities</b>	<b>1,192,620,351</b>		<b>680,139,525</b>



	<b>Primary Government</b>	
	<b>Total Governmental Activities</b>	<b>Component Units</b>
<b>NET ASSETS</b>		
Invested in Capital Assets Net of Related Debt	1,074,430,709	34,109,712
Restricted For:		
Special Revenue Funds:		
Sewer Districts	59,900,234	-
Water Districts	2,347,114	-
Refuse District	14,570,374	-
Airport	12,509,903	-
Grants	7,045,213	-
Workers' Compensation Fund	1,191,491	-
Debt Service	7,456,958	-
Component Units		28,480,723
Unrestricted	36,586,949	(164,785,621)
Total net assets	<u>\$ 1,216,038,945</u>	<u>\$ (102,195,186)</u>

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

**Westchester County**  
**Statement of Activities**  
**For the Year Ended December 31, 2003**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Total Governmental Activities	Component Units
<b>Primary government:</b>						
Governmental activities:						
General Government	\$ 138,705,142	\$ 26,664,575	\$ 9,182,747	\$ -	\$ (102,857,820)	\$ -
Education	79,335,356	2,062,770	58,663,986	-	(18,608,600)	-
Public Safety	231,869,468	16,272,213	17,642,337	-	(197,954,918)	-
Health Services	159,991,108	11,349,327	63,219,220	-	(85,422,561)	-
Transportation	121,241,113	33,111,184	45,475,260	24,520,365	(18,134,304)	-
Economic Assistance	552,565,823	5,540,036	318,694,907	-	(228,330,880)	-
Culture and Recreation	48,554,373	25,097,577	1,587,634	-	(21,869,162)	-
Home and Community Services	144,836,980	35,865,822	4,579,514	-	(104,391,644)	-
Interest	32,680,715	-	-	-	(32,680,715)	-
<b>Total primary government</b>	<b>\$ 1,509,780,078</b>	<b>\$ 155,963,504</b>	<b>\$ 519,045,605</b>	<b>\$ 24,520,365</b>	<b>\$ (810,250,604)</b>	<b>\$ -</b>
<b>Component units:</b>						
Industrial Development Agency	777,289	948,429	-	-	-	171,140
Westchester County Health Care Corporation	613,247,024	519,219,032	-	7,678,098	-	(86,349,894)
Public Utilities Service Agency	3,415,691	3,503,835	-	-	-	88,144
Westchester Community College	78,596,420	26,192,023	54,700,625	-	-	2,295,868
<b>Total component units</b>	<b>\$ 696,036,424</b>	<b>\$ 549,863,319</b>	<b>\$ 54,700,625</b>	<b>7,678,098</b>	<b>\$ -</b>	<b>\$ (83,794,742)</b>
General revenues:						
					520,324,632	-
					271,098,315	-
					6,596,353	2,460,069
					4,988,152	-
					4,207,246	-
					13,411,471	-
					9,479,113	-
					<u>830,105,282</u>	<u>2,460,069</u>
					19,854,678	(81,334,673)
					1,196,184,267	(20,860,513)
					<u>\$ 1,216,038,945</u>	<u>\$ (102,195,186)</u>

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

**Westchester County  
Balance Sheet  
Governmental Funds  
December 31, 2003**

	<b>General Fund</b>	<b>Combined Sewer Districts Fund</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash	\$ 17,453,713	\$ 200	\$ 34,820,558	\$ 3,597,647	\$ 55,872,118
Investments	1,200,000	66,900,000	70,478,461	58,400,000	196,978,461
Accounts Receivable	51,254,651	678,167	-	9,055,446	60,988,264
Due from Federal & State Governments	179,273,119	-	-	12,982,572	192,255,691
Due from Other Funds	16,413,228	1,366,460	-	8,477,420	26,257,108
Inventories	79,433	-	-	-	79,433
Deferred Charges	4,079,923	-	287,878	-	4,367,801
Note Receivable	26,065,000	-	-	-	26,065,000
Total assets	<u>\$ 295,819,067</u>	<u>\$ 68,944,827</u>	<u>\$ 105,586,897</u>	<u>\$ 92,513,085</u>	<u>\$ 562,863,876</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Bond Anticipation Notes	-	-	89,000,000	-	89,000,000
Accounts Payable and Accrued Liabilities	146,740,248	5,604,896	10,867,524	14,202,392	177,415,060
Due to Other Funds	9,948,098	-	9,416,729	6,987,389	26,352,216
Deposits in Escrow	73,507	-	-	-	73,507
Total liabilities	<u>156,761,853</u>	<u>5,604,896</u>	<u>109,284,253</u>	<u>21,189,781</u>	<u>292,840,783</u>
Fund balances:					
Reserved for:					
Encumbrances	6,559,004	1,158,918	-	225,909	7,943,831
Inventories	79,433	-	-	-	79,433
Component Unit Note	24,925,000	-	-	-	24,925,000
Deferred Charge	4,079,923	-	-	-	4,079,923
State Receivable	10,000,000	-	-	-	10,000,000
Debt Service	-	-	9,160,958	-	9,160,958
Unreserved, reported in:					
General Fund	93,413,854	-	-	-	93,413,854
Special Revenue	-	62,181,013	-	71,097,395	133,278,408
Capital Projects	-	-	(12,858,314)	-	(12,858,314)
Total fund balances	<u>139,057,214</u>	<u>63,339,931</u>	<u>(3,697,356)</u>	<u>71,323,304</u>	<u>270,023,093</u>
Total liabilities and fund balances	<u>\$ 295,819,067</u>	<u>\$ 68,944,827</u>	<u>\$ 105,586,897</u>	<u>\$ 92,513,085</u>	<u>\$ 562,863,876</u>

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

**WESTCHESTER COUNTY  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
DECEMBER 31, 2003**

Amounts reported for governmental activities in the statement of net assets are different because:

Fund balances of governmental funds		\$ 270,023,093
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		1,800,582,317
Long term liabilities, including bonds payable and capital leases are not due and payable in the current period and therefore are not reported in the funds.		(776,209,097)
Governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities - Bond premiums, loss of refunding and deferred charges.		(1,704,000)
Other liabilities that are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued Salaries	15,840,000	
Accrued Interest Payable	6,191,410	
Compensated Absences Payable	24,600,000	
Certiorari Claims Payable	3,835,419	
Landfill, Post Closure Costs	<u>32,785,607</u>	
		(83,252,436)
Internal Service funds are used by management to charge the costs of health benefits workers' compensation claims and general liability claims to individual fund: The assets and liabilities of the internal service funds are included in governmental activities in the statements of net assets.		<u>6,599,068</u>
Net Assets of Governmental Activities		<u><u>\$ 1,216,038,945</u></u>

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**Westchester County**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2003**

	<u>General Fund</u>	<u>Combined Sewer Districts Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Taxes on Real Property	\$ 403,401,762	\$ 68,838,000	\$ -	\$ 48,084,870	\$ 520,324,632
Sales Tax	271,098,315	-	-	-	271,098,315
Federal Aid	135,544,279	-	11,748,778	60,308,083	207,601,140
State Aid	259,015,008	-	12,541,587	38,997,488	310,554,083
Departmental Income	93,067,863	4,830,146	-	72,809,858	170,707,867
Earnings on Investments	2,108,900	2,585,817	1,101,904	1,045,208	6,841,829
Auto Use Tax	4,988,152	-	-	-	4,988,152
Harness Racing Admission Tax	7,039	-	-	-	7,039
Hotel Tax	4,207,246	-	-	-	4,207,246
Tobacco Settlement Revenue	13,411,471	-	-	-	13,411,471
Miscellaneous Revenues	7,312,669	1,270,575	1,899,500	3,765,161	14,247,905
Total revenues	<u>1,194,162,704</u>	<u>77,524,538</u>	<u>27,291,769</u>	<u>225,010,668</u>	<u>1,523,989,679</u>
<b>EXPENDITURES</b>					
Current:					
General Government	78,235,627	5,593,541	24,288,710	8,060,130	116,178,008
Education	123,145,638	-	2,648,652	-	125,794,290
Public Safety	176,300,895	-	30,636,065	12,116,836	219,053,796
Health Services	46,026,639	-	137,561	57,966,269	104,130,469
Transportation	72,672,525	-	31,909,250	32,981,495	137,563,270
Economic Assistance	487,346,905	-	-	37,673,817	525,020,722
Culture and Recreation	38,270,883	-	14,686,831	1,043,472	54,001,186
Home and Community Services	2,702,199	42,116,804	54,335,516	66,231,156	165,385,675
Employee Benefits	105,008,848	8,401,369	-	2,653,609	116,063,826
Debt service:					
Principal	52,601,739	12,019,371	-	4,612,674	69,233,784
Interest	17,637,258	5,895,679	-	2,632,492	26,165,429
Other Charges	-	-	302,190	-	302,190
Capital Outlays	845,278	1,687,871	-	958,304	3,491,453
Total expenditures	<u>1,200,794,434</u>	<u>75,714,635</u>	<u>158,944,775</u>	<u>226,930,254</u>	<u>1,662,384,098</u>
Excess (deficiency) of revenues over expenditures	<u>(6,631,730)</u>	<u>1,809,903</u>	<u>(131,653,006)</u>	<u>(1,919,586)</u>	<u>(138,394,419)</u>

continued

	<b>General Fund</b>	<b>Combined Sewer Districts Fund</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Payment to Escrow Agent	-	-	(66,519,007)	-	(66,519,007)
Transfers In	1,798,961	2,826,630	1,772,000	4,356,986	10,754,577
Transfers Out	(3,300,262)	(610,804)	(5,582,947)	(1,260,564)	(10,754,577)
Bonds and Notes Issued	22,420,000	-	144,545,684	-	166,965,684
Total other financing sources and uses	<u>20,918,699</u>	<u>2,215,826</u>	<u>74,215,730</u>	<u>3,096,422</u>	<u>100,446,677</u>
Net change in fund balances	14,286,969	4,025,729	(57,437,276)	1,176,836	(37,947,742)
Fund balances -- beginning	124,770,245	59,314,202	53,739,920	70,146,468	307,970,835
Fund balances -- ending	<u>\$ 139,057,214</u>	<u>\$ 63,339,931</u>	<u>\$ (3,697,356)</u>	<u>\$ 71,323,304</u>	<u>\$ 270,023,093</u>

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

**WESTCHESTER COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances—total governmental funds \$ (37,947,742)

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

Capital Outlay Expenditures	153,804,992	
Depreciation Expense	<u>(52,267,653)</u>	
		101,537,339

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Bonds Issued	(160,934,847)	
Principal Paid on Bonds	<u>135,841,405</u>	
		(25,093,442)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Salaries	(8,840,000)	
Interest	(723,785)	
Compensated Absences	(1,600,000)	
Certiorari Claims	(1,709,072)	
Landfill Post Closure Costs	(5,731,455)	
Retirement, Other Employee Costs and Benefits	12,048,842	
Other Items	<u>215,361</u>	
		(6,340,109)

The net revenue of certain activities of internal service funds is reported with governmental activities.

(12,301,368)

Change in net assets of governmental activities.

\$ 19,854,678

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



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**Westchester County**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended December 31, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes on Real Property	\$ 403,401,762	\$ 403,401,762	\$ 403,401,762	\$ -
Sales Tax	271,000,000	271,000,000	271,098,315	98,315
Federal Aid	131,459,512	131,459,512	135,544,279	4,084,767
State Aid	238,675,219	238,675,219	259,015,008	20,339,789
Departmental Income	103,066,642	103,066,642	93,067,863	(9,998,779)
Earnings on Investments	3,000,000	3,000,000	2,108,900	(891,100)
Auto Use Tax	4,600,000	4,600,000	4,988,152	388,152
Harness Racing Admissions Tax	8,500	8,500	7,039	(1,461)
Hotel Tax	4,100,000	4,100,000	4,207,246	107,246
Tobacco Revenue Settlement	13,926,670	13,926,670	13,411,471	(515,199)
Miscellaneous Revenues	9,216,053	9,216,053	7,312,669	(1,903,384)
Total revenues	1,182,454,358	1,182,454,358	1,194,162,704	11,708,346
<b>EXPENDITURES</b>				
Current:				
General Government	80,292,436	86,902,897	78,235,627	8,667,270
Education	126,809,380	127,204,485	123,145,638	4,058,847
Public Safety	176,312,243	181,853,921	176,300,895	5,553,026
Health Services	50,396,206	50,886,081	46,026,639	4,859,442
Transportation	74,966,812	74,922,619	72,672,525	2,250,094
Economic Assistance	503,136,182	498,531,758	487,346,905	11,184,853
Culture and Recreation	39,871,370	39,903,369	38,270,883	1,632,486
Home and Community Services	3,027,827	3,002,827	2,702,199	300,628
Employee Benefits	108,654,173	111,246,971	105,008,848	6,238,123
Debt Service:				
Principal	52,789,460	52,787,561	52,601,739	185,822
Interest	17,672,968	17,657,203	17,637,258	19,945
Capital Outlay	927,887	974,752	845,278	129,474
Total expenditures	1,234,856,944	1,245,874,444	1,200,794,434	45,080,010
Deficiency of revenues under expenditures	(52,402,586)	(63,420,086)	(6,631,730)	56,788,356

continued

**OTHER FINANCING SOURCES (USES)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>OTHER FINANCING SOURCES (USES)</b>				
WCHCC Credit Support	90,000,000	90,000,000	-	(90,000,000)
Bond Proceeds - WCHCC Loan	-	11,700,000	10,730,000	(970,000)
Bond Proceeds - Bond Anticipation Notes	-	-	11,690,000	11,690,000
Transfers In	1,798,961	1,798,961	1,798,961	-
Transfers Out	(2,767,237)	(3,449,737)	(3,300,262)	149,475
Credit Support Payment	(90,000,000)	(90,000,000)	-	90,000,000
Total other financing sources	<u>(968,276)</u>	<u>10,049,224</u>	<u>20,918,699</u>	<u>10,869,475</u>
Net change in fund balance	<u>(53,370,862)</u>	<u>(53,370,862)</u>	<u>14,286,969</u>	<u>67,657,831</u>
Fund balances -- beginning	53,370,862	53,370,862	124,770,245	71,399,383
Fund balances -- ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 139,057,214</u>	<u>\$ 139,057,214</u>

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

**Westchester County  
Combined Sewer Districts Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended December 31, 2003**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes on Real Property	\$ 68,838,000	\$ 68,838,000	\$ 68,838,000	\$ -
Departmental Income	4,005,501	4,005,501	4,830,146	824,645
Earnings on Investments	2,183,443	2,183,443	2,585,817	402,374
Miscellaneous Revenues	-	-	1,270,575	1,270,575
Total revenues	<u>75,026,944</u>	<u>75,026,944</u>	<u>77,524,538</u>	<u>2,497,594</u>
<b>EXPENDITURES</b>				
Current:				
General Government	6,432,885	6,415,865	5,593,541	822,324
Home and Community Services	46,236,058	46,317,499	42,116,804	4,200,695
Employee Benefits	9,226,335	9,151,459	8,401,369	750,090
Debt Service:				
Principal	14,859,082	14,476,325	12,019,371	2,456,954
Interest	7,374,822	7,154,151	5,895,679	1,258,472
Capital outlay	2,127,189	2,741,072	1,687,871	1,053,201
Total expenditures	<u>86,256,371</u>	<u>86,256,371</u>	<u>75,714,635</u>	<u>10,541,736</u>
Excess (deficiency) of revenues over expenditures	(11,229,427)	(11,229,427)	1,809,903	13,039,330
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	2,826,630	2,826,630	2,826,630	-
Transfers Out	(610,804)	(610,804)	(610,804)	-
Total other financing sources	<u>2,215,826</u>	<u>2,215,826</u>	<u>2,215,826</u>	<u>-</u>
Net change in fund balance	(9,013,601)	(9,013,601)	4,025,729	13,039,330
Fund balances -- beginning	9,013,601	9,013,601	59,314,202	50,300,601
Fund balances -- ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,339,931</u>	<u>\$ 63,339,931</u>

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

**Westchester County**  
**Statement of Net Assets**  
**Internal Service Funds**  
**December 31, 2003**

	<u>Health Insurance Fund</u>	<u>Casualty Reserve Fund</u>	<u>Workers' Compensation Reserve Fund</u>	<u>Total</u>
<b>ASSETS</b>				
Cash	\$ -	\$ 3,986,292	\$ 3,382,574	\$ 7,368,866
Investments	18,500,000	37,136,875	9,572,571	65,209,446
Accounts Receivable	159,714	537,656	100,023	797,393
Due from Other Funds	26,427	77,791	-	104,218
Total assets	<u>18,686,141</u>	<u>41,738,614</u>	<u>13,055,168</u>	<u>73,479,923</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Liabilities:</b>				
Accounts Payable and Accrued Liabilities	11,365,881	43,651,297	11,854,567	66,871,745
Due to Other Funds	-	-	9,110	9,110
Total liabilities	<u>11,365,881</u>	<u>43,651,297</u>	<u>11,863,677</u>	<u>66,880,855</u>
<b>Net Assets</b>				
Restricted	-	-	1,191,491	1,191,491
Unrestricted	7,320,260	(1,912,683)	-	5,407,577
Net Assets	<u>\$ 7,320,260</u>	<u>\$ (1,912,683)</u>	<u>\$ 1,191,491</u>	<u>\$ 6,599,068</u>

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

**Westchester County**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Internal Service Funds**  
**For the Year Ended December 31, 2003**

	<u>Health Insurance Fund</u>	<u>Casualty Reserve Fund</u>	<u>Workers' Compensation Reserve Fund</u>	<u>Total</u>
Operating revenues:				
Charges for Services	\$ 80,858,337	\$ 8,734,443	\$ 1,836,007	\$ 91,428,787
Operating expenses:				
Claims and Claim Adjustments	-	19,824,555	4,179,002	24,003,557
Employee Health Benefits	80,951,043	-	-	80,951,043
Total operating expenses	<u>80,951,043</u>	<u>19,824,555</u>	<u>4,179,002</u>	<u>104,954,600</u>
Operating Income (Loss)	<u>(92,706)</u>	<u>(11,090,112)</u>	<u>(2,342,995)</u>	<u>(13,525,813)</u>
Nonoperating revenues:				
Earnings on Investments	98,865	1,861,183	405,262	2,365,310
Net Increase (Decrease) in Fair Value of Investments	<u>-</u>	<u>(992,287)</u>	<u>(148,578)</u>	<u>(1,140,865)</u>
Change in net assets	6,159	(10,221,216)	(2,086,311)	(12,301,368)
Net assets -- beginning	7,314,101	8,308,533	3,277,802	18,900,436
Net assets -- ending	<u>\$ 7,320,260</u>	<u>\$ (1,912,683)</u>	<u>\$ 1,191,491</u>	<u>\$ 6,599,068</u>

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

**Westchester County**  
**Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended December 31, 2003**

	<u>Health Insurance Fund</u>	<u>Insurance Reserve Fund</u>	<u>Workers' Compensation Reserve Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash receipts from customer	\$ 81,698,623	\$ 9,907,105	\$ 1,926,566	\$ 93,532,294
Payments to suppliers	(84,749,717)	(4,449,375)	(4,620,108)	(93,819,200)
Net cash provided by (used in) operating activities	<u>(3,051,094)</u>	<u>5,457,730</u>	<u>(2,693,542)</u>	<u>(286,906)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Due from other funds	2,952,229	(77,791)	1,902,976	4,777,414
Due to other funds	-	(701,024)	9,110	(691,914)
Net cash provided by (used in) noncapital financing activities	<u>2,952,229</u>	<u>(778,815)</u>	<u>1,912,086</u>	<u>4,085,500</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Earnings on investments	98,865	1,861,183	405,262	2,365,310
Purchase of investments	-	(11,123,152)	(2,005,671)	(13,128,823)
Sale of Investments	-	2,055,552	2,007,084	4,062,636
Net cash provided by (used in) investing activities	<u>98,865</u>	<u>(7,206,417)</u>	<u>406,675</u>	<u>(6,700,877)</u>
Net increase (decrease) in cash and cash equivalents	-	(2,527,502)	(374,781)	(2,902,283)
Cash and cash equivalents - beginning of year	-	6,513,794	3,757,355	10,271,149
Cash and cash equivalents - end of the year	<u>\$ -</u>	<u>\$ 3,986,292</u>	<u>\$ 3,382,574</u>	<u>\$ 7,368,866</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss)	\$ (92,706)	\$ (11,090,112)	\$ (2,342,995)	\$ (13,525,813)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Changes in assets and Liabilities:				
Accounts Payable - Suppliers	(3,798,674)	15,375,180	(441,106)	11,135,400
Customer Receivables	840,286	1,172,662	90,559	2,103,507
Net cash provided by (used in) operating activities	<u>\$ (3,051,094)</u>	<u>\$ 5,457,730</u>	<u>\$ (2,693,542)</u>	<u>\$ (286,906)</u>

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

**Westchester County**  
**Statement of Fiduciary Assets and Liabilities**  
**Agency Funds**  
**December 31, 2003**

**ASSETS**

Cash	\$ 40,297,453
Accounts Receivable	9,032,633
Restricted Investments	58,602,992
Total Assets	<u>\$ 107,933,078</u>

**LIABILITIES**

Accounts Payable	17,918,457
Securities and Deposits Payable	90,014,621
Total Liabilities	<u>\$ 107,933,078</u>

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



**Westchester County**  
**Component Units**  
**Combining Statement of Net Assets**  
**December 31, 2003**

	<u>Westchester County Health Care Corporation</u>	<u>Westchester Community College</u>	<u>Public Utilities Service Agency</u>	<u>Industrial Development Agency</u>	<u>Totals</u>
<b>ASSETS</b>					
Cash	\$ 19,210,599	\$ 50,261,374	\$ 470,483	\$ 3,913,510	\$ 73,855,966
Investments	-	852	190,000	-	190,852
Account Receivable, Net	97,830,308	1,866,741	514,427	51,970	100,263,446
Assets Limited to Use	123,779,942	-	-	-	123,779,942
Other Assets	33,144,427	-	-	11,000	33,155,427
Land	5,538,418	-	-	1,100,000	6,638,418
Equipment	172,898,006	15,632,924	-	-	188,530,930
Buildings	184,232,386	-	-	-	184,232,386
Construction in Progress	125,924,811	-	-	-	125,924,811
Accumulated Depreciation	(243,319,106)	(15,308,733)	-	-	(258,627,839)
Total assets	<u>519,239,791</u>	<u>52,453,158</u>	<u>1,174,910</u>	<u>5,076,480</u>	<u>577,944,339</u>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts Payable & Accrued Expenses	176,898,295	32,930,172	361,269	259,818	210,449,554
Retirement Payable	2,637,489	2,376,505	-	-	5,013,994
Notes Payable	86,040,000	-	-	-	86,040,000
Total current liabilities	<u>265,575,784</u>	<u>35,306,677</u>	<u>361,269</u>	<u>259,818</u>	<u>301,503,548</u>
<b>Non current liabilities:</b>					
Due Within One Year:					
Compensated Absences	-	178,815	-	-	178,815
Bonds Payable	2,701,403	-	-	-	2,701,403
Retirement Payable	-	1,553,570	-	-	1,553,570
Due in More Than One Year:					
Compensated Absences	-	7,731,813	-	-	7,731,813
Bonds Payable	257,488,732	-	-	-	257,488,732
Notes Payable	29,425,000	-	-	-	29,425,000
Other Non Current Liabilities	79,556,644	-	-	-	79,556,644
Total non current liabilities	<u>369,171,779</u>	<u>9,464,198</u>	<u>-</u>	<u>-</u>	<u>378,635,977</u>
Total liabilities	<u>634,747,563</u>	<u>44,770,875</u>	<u>361,269</u>	<u>259,818</u>	<u>680,139,525</u>
<b>NET ASSETS</b>					
Invested in Capital Assets Net of Related Debt	32,685,521	324,191	-	1,100,000	34,109,712
Restricted	28,112,679	368,044	-	-	28,480,723
Unrestricted	(176,305,972)	6,990,048	813,641	3,716,662	(164,785,621)
Total net assets	<u>\$ (115,507,772)</u>	<u>\$ 7,682,283</u>	<u>\$ 813,641</u>	<u>\$ 4,816,662</u>	<u>\$ (102,195,186)</u>

# NOTES TO FINANCIAL STATEMENTS

December 31, 2003

## NOTE 1

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### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Westchester, New York was incorporated in 1683 and operates in accordance with its charter, adopted in 1937, its administrative code, enacted into State Law in 1948, the State Constitution and the various other applicable laws of the State of New York. The County functions under a County Executive/Board of Legislators form of government. The Board of Legislators is the legislative body responsible for overall operation of the County. The County Executive serves as the chief executive officer and the Commissioner of Finance serves as the chief financial officer. The County provides the following services to its residents: education, public safety, health, transportation, economic assistance and opportunity, culture and recreation, home and community services and general and administrative support.

The accounting policies of the County of Westchester, New York conform to generally accepted accounting principles as applicable to governmental units and the Uniform System of Accounts as prescribed by the State of New York. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the County's more significant accounting policies:

#### A. Financial Reporting Entity

The financial reporting entity consists of: a) the primary government, which is the County of Westchester, b) organizations for which the County is financially accountable and c) other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statement No. 14.

In evaluating how to define the County, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the County's reporting entity was made by applying the criteria set forth in GASB Statement No. 14, including legal standing, fiscal dependency and financial accountability. Based upon the application of the above criteria, the following individual component units are included in the County's reporting entity because of their operational relationship with the County.

The Westchester County Community College (hereinafter referred to as the College) was established in

1953, with the County of Westchester as the local sponsor under provisions of Article 126 of the Education Law. The College is administered by a board of trustees consisting of nine voting members; five are appointed by the Board of Legislators and four by the Governor. The College budget is subject to the approval of the Board of Legislators. The County provides one-half of the capital costs and approximately one-third of the operating costs for the College. Title to real property of the College vests with the County and bonds and notes for College capital costs are issued by the County and are County debt. A fiscal year ending August 31st is mandated by State Law for the College. The College is included in the County's reporting entity since the primary government is able to impose its will, as demonstrated through the ability to approve budgets. The College may also result in a financial burden to the primary government since the County is obligated for the debt of the College. Since the College does not provide services entirely or almost entirely to the County, the College has been reflected as a discretely presented component unit.

The Westchester County Industrial Development Agency (hereinafter referred to as the IDA) is a public benefit corporation created by State legislation to promote the economic welfare, recreation opportunities and prosperity of the County's inhabitants. Members of the IDA are appointed by the County Executive, subject to confirmation by the Board of Legislators. The IDA members have complete responsibility for management of the IDA and accountability for fiscal matters. The County is not liable for IDA bonds or notes. The governing board of the IDA serves at the pleasure of the County Executive and therefore, the primary government is able to impose its will on the IDA. Since the IDA does not provide services entirely or almost entirely to the County of Westchester, the financial statements of the IDA have been reflected as a discretely presented component unit.

The County of Westchester Public Utility Service Agency (hereinafter referred to as the Utility Agency) was created by special referendum by the County of Westchester on March 30, 1982. The members of the board are appointed by the County Executive with confirmation by the Board of Legislators. The Board of Legislators is responsible for approval of the permanent rate formula for customers of the Utility Agency. The governing board of the Utility Agency serves at the pleasure of the County Executive and therefore, the primary government is considered able to impose its will on the Utility Agency. Since the Utility Agency does not provide services entirely or almost entirely to the County of Westchester, the financial statements of the Utility Agency have been reflected as a discretely presented component unit.

Westchester County Health Care Corporation (hereinafter referred to as WCHCC), a Public Benefit Corporation, was created under Article 10-C, Title 1, of the New York State Authorities Law. WCHCC is governed by fifteen voting directors, of which eight directors are appointed by the governor and seven directors are appointed by the Board of Legislators, subject to approval by the County Executive. The County has entered into a ten year transition agreement (see “WCHCC Contingencies” herein). Since WCHCC does not provide services entirely or almost entirely to the County, the financial statements of WCHCC have been reflected as a discretely presented component unit.

Financial statements for the component units are included as part of the basic financial statements. Complete financial statements can be obtained from their respective administrative offices at the following addresses:

Westchester Community College  
75 Grasslands Road  
Valhalla, New York 10595

Westchester County Industrial Development Agency  
Michaelian Office Building  
148 Martine Avenue  
White Plains, New York 10601

County of Westchester Public Utility Service Agency  
Michaelian Office Building  
148 Martine Avenue  
White Plains, New York 10601

Westchester County Health Care Corporation  
Executive Offices  
Valhalla, New York 10595

## **B. Government-Wide Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all non-fiduciary activities of the primary government as a whole and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The Statement of Net Assets presents the financial position of the County and its component units at the end of its fiscal year. The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods or services, or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational or capital

requirements of a particular function or segment and (3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenues are reported as general revenues. The County does not allocate indirect expenses to functions in the Statement of Activities.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual government funds are reported as separate columns in the fund financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund’s principal ongoing operation. The principal operating revenues of the Internal Service Funds are charges to customers for services. Operating expenses for the Internal Service Funds include the cost of services, administrative expenses, and benefit costs. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

## **C. Fund Financial Statements**

The accounts of the County are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, liabilities, fund balances/net assets, revenues and expenditures/expenses. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The County maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is to be presented in a separate column, with non-major funds, if any, aggregated and presented in a single column. Fiduciary funds are reported by type. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements’ governmental activities column, a reconciliation is presented on the page following, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column of the government-wide presentation. The County’s resources are reflected in the fund financial statements in three broad fund categories, in accordance with generally accepted accounting principles, as follows:

### **Fund Categories**

- a. Governmental Funds**—Governmental Funds are those through which most general government functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. Special Revenue Funds are governmental funds established to account for the proceeds of specific revenue sources

that are legally restricted to expenditures for certain defined purposes. The following are the County's major governmental funds.

**General Fund** - The General Fund constitutes the primary operating fund of the County in that it includes all revenues and expenditures not required by law to be accounted for in other funds.

**Sewer District Fund** - The Sewer District Fund is a Special Revenue Fund and is provided to account for the operations of the County's sewer districts.

**Capital Projects Fund** - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

The County also reports the following non-major governmental funds:

**Airport Fund** - The Airport Fund is a Special Revenue Fund used to account for the operations of the Westchester County Airport.

**Water Districts Fund** - The Water Districts Fund is a Special Revenue Fund used to account for the operations of the County's water districts.

**Refuse Disposal District Fund** - The Refuse Disposal District Fund is a Special Revenue Fund provided to account for the operations of the County's solid waste facilities.

**Grants Fund** - The Grants Fund is a Special Revenue Fund used to account for the assets, liabilities, revenues and expenditures of grant funds received by various County departments.

**b. Proprietary Funds** — Proprietary funds consist of internal service funds. Internal service funds account for operations that provide services to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The County has established its Health Insurance, Insurance Reserve and Worker's Compensation Reserve funds as internal service funds.

**c. Fiduciary Funds (Not included in Government-wide statements)** — The Fiduciary Funds are used to account for assets held by the County in an agency capacity on behalf of others.

**D. Measurement Focus/Basis of Accounting**

**Primary Government**

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

financial reports.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds. The Fiduciary Funds have no measurement focus and utilize the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes are considered to be available if collected within sixty days of the fiscal year end. A ninety day availability period is used for revenue recognition for all other governmental fund revenues. Property taxes associated with the current fiscal period as well as charges for services and intergovernmental revenues are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, pension costs, and certain other costs are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Issuance of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

**Component Units**

Component units are presented on the basis of accounting that most accurately reflect their activities. The College, IDA, Utility Agency and WCHCC are accounted for on the accrual basis.

*Westchester Community College*

The College, however, does not reflect property, plant and certain equipment as an asset of the fund and depreciation is not reflected. Property, plant and certain equipment of the College is owned by the County. The College does have equipment which was purchased through their operating budget, which is capitalized and depreciated.

*Westchester County Health Care Corporation*

Patient accounts receivables of WCHCC are presented net of allowances for uncollectible amounts of \$69.1 million in 2003. WCHCC grants credit to patients and generally does not require collateral or other security. However, it routinely obtains assignment of patients' benefits under their health insurance policies. Most of WCHCC's net patient service revenues are derived from third-party payment programs, including Medicare and Medicaid, which comprise the largest portion of WCHCC's third-party-payor revenue.

Patient accounts receivable are recorded at the reimbursed or contracted amount and do not bear interest. The allowance for uncollectible amounts is WCHCC's best estimate of the amount of probable credit losses in WCHCC's existing accounts receivable. WCHCC determines the allowance based on historical write-off experience. WCHCC reviews its allowance for doubtful accounts periodically. Past due balances are reviewed individually for collectibility. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. WCHCC does not have any off-balance-sheet credit exposure related to its patients.

Net operating revenues are recognized in the period services are performed and consist primarily of net patient service revenue that is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactively calculated third-party contractual adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

Revenue from Medicare and Medicaid programs accounted for approximately 30% and 28%, respectively, of WCHCC's net patient revenue for the year ended December 31, 2003. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by material amounts in the near term. WCHCC believes that it is in compliance, in all material respects, with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation. Noncompliance with such laws and regulations could result in repayments of amounts improperly reimbursed, substantial monetary fines, civil and criminal penalties, and exclusion from the Medicare and Medicaid programs.

**E. Assets, Liability and Net Assets or Fund Balances**

*Cash and Equivalents* — Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and certificates of deposit with original maturities of less than three months.

The County's investment policies are governed by State statutes. The County has adopted its own written investment policy, which provides for the deposit of funds in FDIC insured commercial banks or trust companies located in the State. The County is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, repurchase agreements and obligations of New York State or its political subdivisions.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 102% of all deposits not covered by Federal deposit insurance. The County has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

*Investments* — All investments are stated at fair value, which is based on quoted market prices.

*Real Property Taxes* — Real property taxes attach as an enforceable lien on real property and are levied on January 1st. Real property taxes are generally payable to the collecting agents in April. The County-wide real property tax levy is collected by the cities and towns within the County. Payment of each city and town's share must be made to the County's Commissioner of Finance as collected and, in any event, not less than sixty percent must be paid by May 25th and the balance of the warrant by October 15th of the year for which such taxes are levied. The various cities and towns within the County are responsible for the billing and collection of taxes and in-rem foreclosure proceedings.

*Other Receivables*

Other receivables include amounts due from other governments and individuals for services provided by the County. Receivables are recorded and revenues recognized as earned or as specific program expenditures/expenses are incurred. Allowances are recorded when appropriate.

*Due From/To Other Funds*

During the course of its operations, the County has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of December 31, 2003, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

**Note Receivable**

The Note Receivable is derived from bonds issued by the County to finance WCHCC capital projects. The Note will be repaid by WCHCC as the bonds mature. The fund financial statements reflect a fund balance reserve to indicate that the funds are not available for appropriation even though they are a component of fund balance.

**Inventories**

The inventories reflected in the General Fund are stated at average cost and consist of supplies for general County use. The cost is recorded as inventory at the time individual items are purchased. The County uses the consumption method to relieve inventory. Reported inventories, in the fund financial statements, are offset by a reservation of fund balance, which indicates that they do not constitute "available spendable resources" even though they are a component of current assets. Purchases of inventoriable items at other locations are recorded as expenditures at the time of purchase and year-end balances are not material.

**Deferred Charge**

The General Fund deferred charge represents employee retirement costs which have been satisfied prior to the end of the fiscal year, but represents items which are provided for in the subsequent year's budget and will benefit such periods. Reported amounts, in governmental funds, are equally offset by a reservation of fund balance, which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

Deferred charges in the government-wide financial statements also include the unamortized portion of the cost of issuance of the refunding bonds. These costs are being amortized over the term of the respective bond issue.

**Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$30,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized.

Property, plant and equipment of the primary government, as well as the component units, are

depreciated using the straight line method over the following estimated useful lives.

<u>Class</u>	<u>Life in Years</u>
Land Improvements	10
Buildings	25-50
Equipment	10-25
Infrastructure	50

The costs associated with the acquisition or construction of capital assets are shown as capital outlay expenditures on the governmental fund financial statements. Capital assets are not shown on the governmental fund balance sheets.

**Compensated Absences**

The various collective bargaining agreements provide for the payment of accumulated vacation or sick leave upon separation from service. The liability for such accumulated leave is reflected in the government-wide and component unit financial statements. A liability for these amounts is reported in the governmental funds only if the liability has matured through employee resignation or retirement. The liability for compensated absences includes salary related payments, where applicable.

**Long-term Liabilities**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount, where applicable. Bond issuance costs are amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financial sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as Governmental Fund expenditures.

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets in the Statement of Net Assets include, invested in capital assets, net of related debt, \$1,074,430,709 restricted assets of \$105,021,287, and unrestricted of \$36,586,949.

## Fund Balances — Reserves and Designations

Portions of fund balance are segregated for future use and are, therefore, not available for future appropriation or expenditure. Amounts reserved for encumbrances, inventories, deferred charge, State receivables, WCHCC Note and debt service are required to be segregated in accordance with State law or generally accepted accounting principles. Designation of unreserved fund balances in governmental funds indicates the utilization of these resources in the ensuing year's budget or tentative plans for future use.

### F. Encumbrances

In governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the General and certain Special Revenue funds. Encumbrances outstanding at year end are reported as reservations of fund balance since they do not constitute expenditures or liabilities.

### G. Use of Estimates

#### *Primary Government*

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates.

#### *Component Unit—WCHCC*

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. The allowance for estimated doubtful accounts receivable, estimated third-party contractual allowances, estimated third-party payor settlements, malpractice insurance liabilities, and workers' compensation liabilities, among other accounts, requires the significant use of estimates. Actual results may differ from those estimates. Revision to previously recorded estimates resulted in an increase to operating loss of approximately \$11 million in 2003, principally related to increases in malpractice and workers' compensation self insurance liabilities based on historical and insurance data.

## H. Concentration of Credit Risk—WCHCC

WCHCC grants credit without collateral to its patients, most of whom are local residents and are insured under third-party-payor agreements. WCHCC generally does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of patients' benefits under their health insurance policies. The mix of accounts receivable from patients and third-party payors at December 31, 2003 approximated the following: Medicare, 10%; Medicaid, 19%; commercial insurance and other payors, including health maintenance organizations, 71%.

## NOTE 2

### STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### A. Budgetary Data

The Department of Budget is responsible by County Charter for the internal formulation of the budget and for its execution. The Department also assists the County Executive in duties relating to formulation of the budget and presentation to the Board of Legislators.

The County follows the procedures enumerated below in establishing the budgetary data reflected in the financial statements:

- a) Budget formulation commences in August of each year with the submission of expenditure requirements for the next fiscal year by the administrative head of each department in the County.
- b) The departmental estimates are reviewed and modified by the Department of Budget and the County Executive. The County Executive's proposed budget is published and is then presented to the Board of Legislators by November 15th.
- c) Subsequent to November 15th, the Board's Committee on Budget and Appropriations holds various public hearings and makes recommendations to amend the budget. The budget is adopted no later than December 27th.
- d) Formal budgetary integration is employed during the year as a management control device for General and certain Special Revenue funds.
- e) Budgets for General and certain Special Revenue funds are legally adopted annually on a basis consistent with generally accepted accounting principles. The Capital Projects Fund is budgeted on a project basis. Annual budgets are not adopted for Internal Service or Grants funds.
- f) Legal budgetary control is maintained at the departmental level. Transfers between appropriation accounts, at the department level, require approval by the Board of Legislators. Any modification to

appropriations resulting from increases in revenue estimates or appropriations also requires a majority vote by the Board.

- g) Appropriations in General and certain Special Revenue funds lapse at the end of the fiscal year, except that outstanding encumbrances are reappropriated in the succeeding year, pursuant to the Uniform System of Accounts promulgated by the Office of the State Comptroller.

Budgeted amounts are as originally adopted or as amended by the Board of Legislators. Individual amendments for the current year were not material in relation to the original appropriations which were amended.

**B. Property Tax Limitation**

The amount that may be raised by the County-wide tax levy on real estate in any fiscal year for purposes other than for debt service on County indebtedness is limited to one and one-half percentum (subject to increase up to two percentum by State legislative enactment) of the average full valuation of taxable real estate of the County. In accordance with this definition, the maximum which could have been raised in 2003 was \$1,315,458,100, which exceeded the actual levy by \$912,056,338.

**C. Capital Projects Fund Deficit**

The unreserved deficit of \$12,858,314 in the Capital Projects Fund arises because of the application of generally accepted accounting principles to the financial reporting of such funds. The proceeds of bond anticipation notes issued to finance capital projects are not recognized as an “other financing source.” Liabilities for bond anticipation notes

payable are accounted for in the Capital Projects Fund. Bond anticipation notes are recognized as revenue only to the extent that they are redeemed. The deficit will be reduced and eliminated as bond anticipation notes are redeemed from interfund transfers from other governmental funds or converted to permanent financing.

**NOTE 3**

**DETAILED NOTES ON ALL FUNDS**

**A. Assets**

**Deposits**

The carrying amount of the primary government’s deposits, inclusive of certain instruments reflected as investments totaling \$25,797,112 at December 31, 2003 was \$129,280,445. This amount is exclusive of petty and departmental cash of \$55,104. This amount is inclusive of Fiduciary Fund deposits of \$66,094,565, of which \$25,797,112, is reflected as investments. The bank balance was \$166,822,583 Of the bank balance, \$1,300,000 was covered by Federal deposit insurance, \$137,021,319 was covered by collateral held by the County’s agent, a third party financial institution, in the County’s name and \$28,501,264 was covered by collateral held in the trust department of the pledging financial institution in the County’s name.

	<u>College</u>	<u>Utility Agency</u>	<u>IDA</u>
Carrying amount	\$ 50,259,239	\$ 660,483	\$ 3,913,510
Bank balance	\$ 50,094,956	\$ 829,421	\$ 3,913,510
Collateral:			
Amounts insured by FDIC	\$ 155,103	\$ —	\$ —
Collateral held by the entity’s agent, a third party financial institution, in the entity’s name	<u>49,939,853</u>	<u>829,421</u>	<u>3,913,510</u>
	<u>\$ 50,094,956</u>	<u>\$ 829,421</u>	<u>\$ 3,913,510</u>

The carrying amount of the College’s deposits excludes petty cash of \$2,135.

The carrying amount of the Utility Agency’s deposits includes non-negotiable certificates of deposit of \$190,000, reflected as investments.

The deposits of WCHCC are not required to be collateralized.



**Investments**

Details of the County’s investment portfolio by fund/component unit, as of December 31, 2003 were:

<u>Fund/Component Unit</u>	<u>Corporate Securities</u>	<u>Repurchase Agreements</u>	<u>U.S. Treasury Obligations</u>	<u>Fair Value</u>
General Fund	\$ —	\$ 1,200,000	\$ —	\$ 1,200,000
Special Revenue Fund	—	125,300,000	—	125,300,000
Capital Projects Fund	—	—	70,478,461	70,478,461
Internal Service Funds	—	22,600,000	42,609,446	65,209,446
	—	149,100,000	113,087,907	262,187,907
Component Unit: College Fiduciary Fund	—	852	—	852
	2,007,999	—	30,797,881	32,805,880
Total	\$ 2,007,999	\$ 149,100,852	\$ 143,885,788	\$ 294,994,639

The repurchase agreements are collateralized by the underlying investment and are held by the County’s or component unit’s agent, a third party financial institution, in the County’s or component unit’s name. The U.S. Treasury Obligations are insured or registered and are held by the County’s agent, a third party financial institution, in the County’s name.

The Agency investments of the primary government of \$58,602,992 consist of investments in U.S. Treasury obligations and commercial stocks and bonds of \$32,805,888 and deposits of \$25,797,112. Of the total restricted investments, \$53,091,446 are New York City Watershed Program funds, which are restricted to fund projects that will improve water quality east of the Hudson River Watershed area and \$2,762,546 is restricted to operate the Patterson Estate Property.

**Due From/To Other Funds**

The balances reflected as due from/to other funds at December 31, 2003 were as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 16,413,228	\$ 9,948,098
Sewer Districts Fund	1,366,460	—
Capital Projects Fund	—	9,416,729
Non Major Governmental Funds	8,477,420	6,987,389
Workers’ Compensation Reserve Fund	—	9,110
Insurance Reserve Fund	77,791	—
Health Insurance Fund	26,427	—
	<u>\$ 26,361,326</u>	<u>\$ 26,361,326</u>

**B. Assets Limited As To Use—WCHCC**

WCHCC assets limited as to use consist of the following at December 31, 2003:

Restricted:	
The Westchester Medical Center Foundation, Inc.	\$ 3,400,948
The Children’s Hospital Foundation at WMC, Inc.	23,012,448
Donor restricted	<u>133,572</u>
	<u>26,546,968</u>
Under debt agreements (restricted):	
Debt Service Reserve Funds	20,578,352
Capital Projects Fund	<u>53,087,790</u>
	<u>73,666,142</u>
Self-insurance fund (6N and 6J funds, and offshore insurance captive)	<u>23,566,832</u>
	<u>\$ 123,779,942</u>

The composition of the above assets, excluding assets under debt agreements primarily represents the net assets of the blended WCHCC component units. The assets of the WMC Foundation and the Children’s Hospital Foundation include cash and cash equivalents, pledges receivable and other assets. WCHCC’s assets limited as to use reported under debt agreements represent insured, registered or securities held by WCHCC or its agent in WCHCC’s name. These assets consist of governmental agency securities. WCHCC’s Assets Limited as to Use under Self Insurance Funds primarily consist of cash and cash equivalents.

### C. Capital Assets

Changes in the Primary Government's capital assets are as follows:

<u>Class</u>	<u>Balance January 1, 2003</u>	<u>Additions</u>	<u>Balance December 31, 2003</u>
<b>Governmental Activities:</b>			
Capital Assets, not being depreciated:			
Land	\$ 177,079,726	\$ 9,837,175	\$ 186,916,901
Infrastructure – Roads	142,480,471	16,411,463	158,891,934
Construction-in-progress	<u>142,198,361</u>	<u>26,798,929</u>	<u>168,997,290</u>
Total Capital Assets, not being depreciated	<u>461,758,558</u>	<u>53,047,567</u>	<u>514,806,125</u>
Capital Assets, being depreciated:			
Buildings	526,212,955	24,035,677	550,248,632
Equipment	151,978,962	10,838,356	162,817,318
Infrastructure	<u>951,866,064</u>	<u>65,883,392</u>	<u>1,017,749,456</u>
Total Capital Assets, being depreciated	<u>1,630,057,981</u>	<u>100,757,425</u>	<u>1,730,815,406</u>
Less Accumulated Depreciation for:			
Buildings	102,218,539	12,638,419	114,856,958
Equipment	47,560,326	14,214,939	61,775,265
Infrastructure	<u>242,992,696</u>	<u>25,414,295</u>	<u>268,406,991</u>
Total Accumulated Depreciation	<u>392,771,561</u>	<u>52,267,653</u>	<u>445,039,214</u>
Total Capital Assets, being depreciated, net	<u>1,237,286,420</u>	<u>48,489,772</u>	<u>1,285,776,192</u>
Governmental Activities Capital Assets, net	<u>\$ 1,699,044,978</u>	<u>\$ 101,537,339</u>	<u>\$ 1,800,582,317</u>

Depreciation expense was charged to the Primary Government's functions and programs as follows:

Governmental Activities:	
General Government	\$ 14,752,397
Education	2,274,705
Public Safety	2,210,817
Health Services	872,442
Transportation	11,114,443
Economic Assistance	703,215
Culture and Recreation	2,880,031
Home and Community Services	<u>17,459,603</u>
Total Depreciation Expense — Governmental Activities	<u>\$ 52,267,653</u>

### Construction Commitments

The Primary Government has active construction projects as of December 31, 2003. These projects include new construction and renovations. At year-end, the Primary Government had \$81,210,350 in construction encumbrances.

**D. Capital Assets — Component Units**

Changes in Westchester County Health Care Corporation's (WCHCC component unit) capital assets are as follows:

<u>Class</u>	<u>Balance January 1, 2003</u>	<u>Additions</u>	<u>Balance December 31, 2003</u>
Capital Assets Not Being Depreciated:			
Construction in Progress	\$ 86,279,310	\$ 39,645,501	\$ 125,924,811
Capital Assets Being Depreciated:			
Land Improvements	5,542,538	(4,120)	5,538,418
Buildings	165,021,905	19,210,481	184,232,386
Equipment	<u>167,760,838</u>	<u>5,137,168</u>	<u>172,898,006</u>
Total Capital Assets Being Depreciated	<u>338,325,281</u>	<u>24,343,529</u>	<u>362,668,810</u>
Less Accumulated Depreciation for:			
Land	5,210,563	14,916	5,225,479
Buildings	98,537,550	6,115,993	104,653,543
Equipment	<u>127,224,680</u>	<u>6,215,404</u>	<u>133,440,084</u>
	<u>230,972,793</u>	<u>12,346,313</u>	<u>243,319,106</u>
WCHCC Capital Assets Being Depreciated, Net	<u>107,352,488</u>	<u>11,997,216</u>	<u>119,349,704</u>
WCHCC Capital Assets, Net	<u>\$ 193,631,798</u>	<u>\$ 51,642,717</u>	<u>\$ 245,274,515</u>

Construction in progress mainly relates to the building of a Children's Hospital and Trauma Center. WCHCC has commenced various capital improvements and renovation projects. The costs to complete such projects are anticipated to aggregate approximately \$53 million as of December 31, 2003.

Changes in the Community College's (component unit) capital assets are as follows:

<u>Class</u>	<u>Balance September 1, 2002</u>	<u>Additions</u>	<u>Balance August 31, 2003</u>
Capital Assets, being depreciated:			
Equipment	\$ 15,486,848	\$ 146,076	\$ 15,632,924
Total Accumulated Depreciation	<u>15,136,984</u>	<u>171,749</u>	<u>15,308,733</u>
Community College Capital Assets, net	<u>\$ 349,864</u>	<u>\$ (25,673)</u>	<u>\$ 324,191</u>

Westchester County Industrial Development Agency has land as its only asset, which is valued at \$1,100,000.

### E. Accounts Payable and Accrued Expenses

Accounts Payable and Accrued Expenses at December 31, 2003 were as follows:

	<u>Funds</u>		<u>Total Governmental</u>
	<u>General</u>	<u>Other Governmental</u>	
Payroll and employee benefits	\$ 7,813,644	\$ 69,492	\$ 7,883,136
Other	<u>138,926,604</u>	<u>30,605,320</u>	<u>169,531,924</u>
Total Accounts Payable and Accrued Expenses	<u>\$ 146,740,248</u>	<u>\$ 30,674,812</u>	<u>\$ 177,415,060</u>

### F. Unpaid Claim Liabilities

The Internal Service Funds reflect health benefit liabilities, workers' compensation benefit liabilities and general liability claims. The Health Insurance Fund estimates are accrued based on actuarial computations. The Insurance Reserve and Workers' Compensation Reserve funds establish claim liabilities based upon estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported, but not settled, and of claims that have been incurred but not reported (IBNR's). The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claim liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency and other economic and social factors. A provision for inflation in the calculation of estimated future claim costs is implicit in the

calculation because reliance is placed both on actual historical data that reflects past inflation and other factors that are considered to be appropriate modifiers of past experience. In addition, the County has accrued pre-1998 open claims, which had been transferred to Westchester County Health Care Corporation as part of the transfer of the County's Department of Hospitals to the Corporation. The County was a named defendant in those cases. The present value of the cases is \$16,050,520 at a four percent rate of return. The County provided \$4,500,000 to fund a portion of this liability in its bond sale of December, 2003.

Claim liabilities, excluding WCHCC claims, at December 31, 2003 are reported at their present value using an expected future investment rate of return of 7% for the Insurance Reserve Fund and 6% for the Workers' Compensation Reserve Fund. Adjustments to claim liabilities are charged or credited to expense in the periods in which they are made. An analysis of the activity of unpaid claim liabilities is as follows:

<b><u>Fiscal 2003</u></b>	<b><u>Health Insurance</u></b>	<b><u>Insurance Reserve</u></b>	<b><u>Workers' Compensation</u></b>
Unpaid claims - Beginning of Year	\$ 15,164,555	\$ 28,276,117	\$ 12,295,673
Incurred claims including IBNR's	80,951,043	19,824,555	4,179,002
Claims paid	<u>(84,749,717)</u>	<u>(4,449,375)</u>	<u>(4,620,108)</u>
Unpaid claims - End of Year	<u>\$ 11,365,881</u>	<u>\$ 43,651,297</u>	<u>\$ 11,854,567</u>
<b><u>Fiscal 2002</u></b>	<b><u>Health Insurance</u></b>	<b><u>Insurance Reserve</u></b>	<b><u>Workers' Compensation</u></b>
Unpaid claims - Beginning of Year	\$ 17,758,286	\$ 26,449,198	\$ 11,836,161
Incurred claims including IBNR's	80,989,564	7,353,570	5,164,680
Claims paid	<u>(83,583,295)</u>	<u>(5,526,651)</u>	<u>(4,705,168)</u>
Unpaid claims - End of Year	<u>\$ 15,164,555</u>	<u>\$ 28,276,117</u>	<u>\$ 12,295,673</u>

The above amounts have been reflected in Accounts Payable and Accrued Liabilities in the Statement of Net Assets.

#### **Self-Insurance Liability—WCHCC**

As part of a transition agreement, WCHCC received the applicable assets and liabilities of the Workers' Compensation Reserve Trust and the Self-Insured Retention Trust. WCHCC's professional and worker's compensation liability insurance program consists of self-insurance plans, and coverage from commercial insurance carriers under a claims-made basis. WCHCC performs an ongoing evaluation of the ability of the commercial

carriers to meet claim payments, and considers any possible shortfalls by the carriers a part of its self-insurance risk. As part of the WCHCC's insurance program, it obtains an annual actuarial valuation to determine its self-insurance professional liabilities, including amounts for claims incurred but not reported. Such valuations are based on WCHCC's specific and industry-wide data. The following represents information as it relates to the self-insurance plans (professional and workers compensation) as of December 31, 2003 and 2002:

	<b><u>2003</u></b>	<b><u>2002</u></b>
Gross self-insurance liability	\$ 36,263,482	38,469,780
Present value of self-insurance liability	33,303,253	32,276,617
Discount factor	4.5%	5.5%

(a) Effective January 1, 1998, WCHCC commenced operations of Bermuda, a captive insurance company. Bermuda is a blended component unit organized for the purpose of providing insurance and reinsurance for WCHCC and its facilities and affiliates for general liability, medical liability, and physician medical professional liability. The financial statements of Bermuda, which reflect a net loss of approximately \$2.9 million in 2003 (unaudited) and \$3.6 million in 2002 (unaudited), have been included in the accompanying financial statements after elimination of any intercompany transactions. In management's opinion, the ultimate completion of the 2003 and 2002 audited results will not have a material impact on the operations of WCHCC.

Bermuda has limited loss experience available to serve as a reliable basis for estimating ultimate incurred losses. Although management believes, based on the recommendations of an independent actuary, that the provisions for outstanding losses and loss expenses will be adequate to cover the ultimate cost of losses incurred to the balance sheet dates, the provision is necessarily an estimate and claims may ultimately be settled for greater or lesser amounts. Any subsequent differences arising are recorded in the period in which they are determined.

Losses and loss expenses paid are recorded when advised by the ceding insurance company. Outstanding losses comprise estimates of the amount of reported losses and loss expenses received from the ceding insurance

company, plus a provision for losses incurred, but not reported, based on the recommendations of an independent actuary using historical and industry data.

In the normal course of reinsurance operations, Bermuda's bankers have issued letters of credit totaling \$11,697,500 as of December 31, 2003 and 2002, in favor of the ceding insurance companies. At December 31, 2003 and 2002, cash of Bermuda has been pledged as collateral for these letters of credit. Bermuda provides Hospital Professional Liability (HPL) on a claims-made basis and General Liability (GL) coverage on an occurrence basis for WCHCC for incidents incurred subsequent to December 31, 1997. These policies are written directly by Bermuda on a claims-made basis, with Bermuda assuming an exposure of \$5,000,000 and \$4,000,000 per occurrence and no aggregate limit for HPL for 2003 and 2002, respectively, and \$1,000,000 for GL in the annual aggregate for 2003 and 2002.

WCHCC Bermuda provides HPL coverage to Westchester-Ellenville for \$1,000,000 each occurrence and \$3,000,000 in the aggregate for 2003 and 2002 and \$1,000,000 for GL per occurrence and in the aggregate for 2003 and 2002.

WCHCC Bermuda provides HPL coverage to Mid Hudson for \$1,000,000 each occurrence and \$3,000,000 in the aggregate for 2003 and 2002.

Bermuda also provides reinsurance on a claims-made basis with respect to Physicians Professional Liability for approximately 400 contracted physicians of the Medical Center. In 2002 and 2003, American International Group, Inc. (AIG) provided primary professional liability coverage to each physician with limits of \$1,300,000 per claim and \$3,900,000 in the aggregate. In 2003, WCHCC Bermuda reinsured AIG for the first \$900,000 of each claim and the \$300,000 excess of \$1,000,000. In 2002, WCHCC Bermuda reinsured AIG for the first \$750,000 per claim and the \$300,000 excess of \$1,000,000 with an aggregate of \$3,900,000.

WCHCC has an umbrella liability insurance with a per occurrence and aggregate limit of \$25 million. The umbrella policy attaches above the HPL and GL for the Medical Center and above the first layer of excess for each physician.

WCHCC Bermuda actuarial liabilities have been discounted at 4.5% in 2003 and 3% in 2002.

The following is the activity of the self-insurance liability for the years ended December 31, 2003 and 2002:

	<b>December 31, 2002 balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>December 31, 2003 balance</b>	<b>Amounts due within one year</b>
Workers' compensation self-insurance trust	\$ 10,308,114	9,859,862	(3,415,212)	16,752,764	4,040,000
Malpractice self-insurance trust	21,313,538	—	(4,763,018)	16,550,520	9,500,000
Offshore captive	33,747,409	31,251,209	(8,295,370)	56,703,248	19,000,000
Other self-insurance	—	4,140,000	—	4,140,000	1,845,000
	<u>\$ 65,369,061</u>	<u>45,251,071</u>	<u>(16,473,600)</u>	<u>94,146,532</u>	<u>34,385,000</u>
	<b>December 31, 2001 balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>December 31, 2002 balance</b>	<b>Amounts due within one year</b>
Workers' compensation self-insurance trust	\$ 9,504,908	3,873,515	(3,070,309)	10,308,114	3,000,000
Malpractice self-insurance trust	25,477,589	—	(4,164,051)	21,313,538	4,100,000
Offshore captive	22,888,389	12,436,310	(1,577,290)	33,747,409	10,200,000
	<u>\$ 57,870,886</u>	<u>16,309,825</u>	<u>(8,811,650)</u>	<u>65,369,061</u>	<u>17,300,000</u>

The December 31, 2003 balance is reflected in Other Non-Current Liabilities in the Statement of Net Assets.

Professional and general liability claims have been asserted against WCHCC by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial. The outcome of these actions cannot be predicted with certainty by management or by

legal counsel to WCHCC or by the respective insurance companies handling such matters. There are known incidents that may result in the assertion of additional claims, and such other claims may arise. It is the opinion of management, in consultation with WCHCC's legal counsel,

that the final disposition of such claims will not have a material adverse effect on WCHCC's financial position, results of operations, or liquidity.

## G. Short-Term Non-Capital Financing

### Short-Term Capital Financing

#### *Bond Anticipation Notes Payable*

The following bond anticipation notes, issued by the New York State Environmental Facilities Corporation for accepted, eligible sewer projects for the purpose of sewer improvements, appear as obligations of the Capital Projects Fund and were outstanding at December 31, 2003:

<u>Purpose</u>	<u>Year of Original Issue</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Balance January 1, 2003</u>	<u>New Issues</u>	<u>Redemptions</u>	<u>Balance December 31, 2003</u>
Sewer Projects	2001	2004	—	\$ 44,080,956	\$ —	\$ 39,034,156	\$ 5,046,800
Sewer Improvements	2002	2004	—	73,903,200	—	1,250,000	72,653,200
Sewer Improvements	2003	2004	—	—	11,300,000	—	11,300,000
				<u>\$ 117,984,156</u>	<u>\$ 11,300,000</u>	<u>\$ 40,284,156</u>	<u>\$ 89,000,000</u>

These notes were issued at no interest cost.

Liabilities for bond anticipation notes are generally accounted for in the Capital Projects Fund. Principal payments on bond anticipation notes must be made annually. State law requires that bond anticipation notes issued for capital purposes be converted to long-term obligations generally within five years after the original issue date. However, bond anticipation notes 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.

## H. Pension Plans

The primary government and certain component units participate in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS) (Systems).

These Systems are cost-sharing multiple-employer defined benefit pension plans. The Systems provide retirement, disability and death benefits to plan members. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems. That report may be obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, New York 12224.

Funding Policy - The Systems are non-contributory except for employees who joined ERS after July 27, 1976 and have less than ten years of service, who contribute 3% of their salary. Contributions are certified by the State Comptroller and expressed as a percentage of members' salary. Contribution rates are actuarially determined and based upon membership tier and plan. Contributions consist of a life insurance portion (GTLI) and regular pension contributions. Contribution rates for the plan year ended March 31, 2004 are as follows:

	<u>Tier</u>	<u>GTLI</u>	<u>Regular</u>
<b>ERS</b>	1	.4 %	4.5%
	2	.4	4.5
	3	.4	4.5
	4	.4	4.5
<b>PFRS</b>	1	.1	4.5
	2	.1	4.5



Contributions made to the Systems for the current and two preceding years were as follows:

	ERS			PFRS
	Primary Government	College	WCHCC	Primary Government
2003	\$ 15,143,307	\$ 581,960	\$ 8,032,000	\$1,176,384
2002	4,344,484	265,428	2,208,000	30,237
2001	3,344,667	47,624	1,585,000	21,167

These contributions were equal to 100% of the actuarially required contributions for each respective year.

The current ERS contribution for the primary government was charged to the funds identified below. The PFRS contribution was charged to the General Fund.

	Amount
General Fund	\$ 9,085,984
Special Revenue Funds	<u>6,057,323</u>
	<u>\$ 15,143,307</u>

### College Pension Program

The College, in addition to ERS, participates in the New York State Teachers' Retirement System (TRS) and the Teachers' Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF). TRS is a cost-sharing multiple-employer defined benefit pension plan.

TRS provides retirement, disability and death benefits to plan members. Obligations of employers and employees to contribute and benefits to employees are governed by Education Law. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. The TRS report may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

Funding Policy - TRS is non-contributory except for employees who joined the System after July 27, 1976 and have less than ten years of service, who contribute 3% of their salary. Pursuant to Article 11 of Education Law, contributions are established annually for TRS by the New York State Teachers' Retirement Board. Contribution rates are actuarially determined and based upon membership tier and plan. Contributions consist of a regular pension contribution. Contribution rates for the plan year ended June 30, 2003 are as follows:

Tiers	Regular
1-4	.36

Contributions made to the System for the current and two preceding years were as follows:

	TRS
2003	\$ 81,435
2002	273,776
2001	50,905

These contributions were equal to 100% of the actuarially required contributions for each respective fiscal year.

TIAA/CREF is an optional retirement program, designated by the trustees of the State University of New York, which has been made available by the College to eligible employees. This System is a privately operated defined contribution retirement plan. The College assumes no liability for the financial status of TIAA/CREF members' accounts other than payment of contributions. Participation eligibility as well as contributory and non-contributory requirements are established by the New York State Retirement and Social Security Law. Benefits are determined by the amount of individual accumulations and the retirement income option selected.

All benefits are fully vested after thirteen months of participation in TIAA/CREF. New York State Education Law establishes the contribution rate for each employee electing this optional retirement program. TIAA/CREF is non-contributory, except for employees who joined after July 1, 1976 and have less than ten years of service, who contribute 3% of their salary. TIAA/CREF allows members to make extra payments at any time. These extra payments are not matched by the College. It is the policy of the College to fund pension costs as incurred. For the plan year ended August 31, 2003, the College incurred \$2,274,672 in pension costs under this Plan.

### WCHCC—Pension Program

Substantially all of WCHCC's employees are covered by retirement plans of the New York State and Local Employees' Retirement System (the System). The System is a cost-sharing, multiple public employer retirement systems. Obligations of employers and employees contributing to, and benefiting employees are governed by the New York State Retirement and Social Security Law

(NYSRSSL). The System 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 NYSRSSL provides that all participating employers in each system are jointly and severally liable for any actuarially unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the System. The System is noncontributory except for employees who joined the System after July 27, 1976; such employees contribute 3%

of their salary for the first ten years of their service. Charges from the System cover April 1 to March 31 of the year in which the payment is made, which is December 15 of each year.

WCHCC's annual pension cost amounted to approximately \$8,032,000 in 2003, based on a percentage (which varies with length of service) of the salaries of covered employees.

**I. Long-term Liabilities**

The following table summarizes changes in the County's long-term indebtedness for the year ended December 31, 2003:

	<u>Balance January 1, 2003</u>	<u>New Issues/ Additions</u>	<u>Defeasance or Payments</u>	<u>Balance December 31, 2003</u>	<u>Due Within One Year</u>
Bonds Payable	\$ 614,293,956	\$ 149,244,487	\$(133,757,575)	\$ 629,780,868	\$ 68,069,078
Add Deferred amounts on Refunding		<u>2,006,191</u>		<u>2,006,191</u>	
	<u>614,293,956</u>	<u>151,250,678</u>	<u>(133,757,575)</u>	<u>631,787,059</u>	<u>68,069,078</u>
Note Payable	—	11,690,000	—	11,690,000	2,340,000
Compensated Absences	23,000,000	3,900,000	(2,300,000)	24,600,000	2,460,000
Retirement Payable	12,048,842	—	(12,048,842)	—	—
Landfill Post-Closure Costs	27,054,152	6,257,655	(526,200)	32,785,607	645,091
Capital Lease Payable	<u>136,469,163</u>	<u>1,072,460</u>	<u>(5,000,000)</u>	<u>132,541,623</u>	<u>5,200,000</u>
	<u>\$ 812,866,113</u>	<u>\$ 174,170,793</u>	<u>\$(153,632,617)</u>	<u>\$ 833,404,289</u>	<u>\$ 78,714,169</u>

**Bonds and Note Payable**

Bonds payable at December 31, 2003 are comprised of the following individual issues:

\$83,140,000—1985 Bonds, due in annual installments each December as follows: \$1,284,000 in 2004 and \$510,000 in 2005; interest at 7.10% .....	\$ 1,794,000
\$32,215,000—1986 Bonds, due in annual installments each December as follows:, \$701,000 in 2004 and \$625,000 in 2005 and 2006; interest at 5.60% ..	1,951,000
\$23,185,000—1987 Bonds, due in annual installments each December as follows: \$380,000 in 2004 through 2007; interest at 6.80% .....	1,520,000
\$35,700,000—1988 Bonds, due in annual installments each November as follows: \$1,225,000 in 2004 through 2008; interest at 6.70%.....	6,125,000
\$96,600,000—1989 Bonds, due in annual installments each November as follows: \$3,921,000 in 2004, \$3,657,000 in 2005, \$3,627,000 in 2006 and 2007 and \$3,537,000 in 2008 and 2009; interest at rates from 6.625% to 6.70%, depending upon maturity.....	21,906,000
\$75,000,000—1990 Series A Bonds, due in annual installments each February as follows: \$3,308,000 in 2004, \$3,283,000 in 2005, \$2,300,000 in 2006 through 2009 and \$2,290,000 in 2010; interest at rates from 6.70% to 6.75%, depending upon maturity .....	18,081,000

\$23,500,000—1990 Series B Bonds, due in annual installments each May as follows: \$1,000,000 in 2004 and 2005, \$890,000 in 2006, \$790,000 in 2007 through 2009 and \$780,000 in 2010; interest at 6.60% .....	6,040,000
\$48,025,000—1991 Series A Bonds for the partial advance refunding of the County's 1989 and 1990 Series A General Obligation Bonds, due in annual installments each September as follows: \$2,245,000 in 2004, \$2,235,000 in 2005 through 2009, \$1,925,000 in 2010 and \$1,910,000 in 2011; interest at rates from 2.38% to 4.34%, depending upon maturity .....	17,255,000
\$63,635,000—1991 Series B Bonds, due in annual installments each September as follows: \$1,897,000 in 2004 through 2006, \$1,275,000 in 2007 and 2008, \$1,190,000 in 2009 and \$1,195,000 in 2010 and 2011; interest at 5.75% .....	11,821,000
\$53,000,000—1992 Series B Bonds, due in annual installments each December as follows: \$4,000 in 2004 through 2006; interest at 5.50% .....	12,000
\$39,150,000—1993 Series A Bonds, due in annual installments each December as follows: \$1,792,000 in 2005, \$1,782,000 in 2006, \$1,692,000 in 2007, \$1,370,000 in 2008 through 2010, \$870,000 in 2011 and \$865,000 in 2012; interest at 5.30%, .....	11,111,000
\$41,687,402—1994 Series A Bonds, due in annual installments each November as follows \$1,632,854 in 2004, \$285,284 in 2005, \$368,041 in 2006, \$252,941 in 2007, \$317,990 in 2008, \$294,767 in 2009, \$250,617 in 2010, \$233,167 in 2011, \$216,714 in 2012, \$182,700 in 2013 and \$171,211 in 2014; interest at rates from 5.95% to 6.60%, depending upon maturity .....	4,206,286
\$9,280,000—1994 Series B Bonds for Airport terminal modernization, due in annual installments each November as follows: \$465,000 in 2004 through 2010 and \$460,000 in 2011 through 2014; interest at rates from 5.90% to 6.85%, depending upon maturity .....	5,095,000
\$62,450,000—1995 Series A Bonds, due in annual installments each December as follows \$274,000 in 2004, \$2,094,000 in 2005, and \$552,000 in 2015; interest at rates from 5.00% to 5.375%, depending upon maturity .....	2,920,000
\$9,995,000—1995 Series B Bonds, due in annual installments each December as follows: \$540,000 in 2004, \$535,000 in 2005, \$500,000 in 2006 through 2010 and \$420,000 in 2011 through 2015; interest at rates from 5.00% to 5.375%, depending upon maturity .....	5,675,000
\$59,505,000—1996 Bonds, due in annual installments each November as follows: \$1,851,000 in 2004 and 2005, \$1,751,000 in 2006, \$669,000 in 2014 and 2015, and \$589,000 in 2016; interest at rates from 4.70% to 4.75%, depending upon maturity .....	7,380,000
\$20,510,000—1997 Series A Bonds, due in annual installments each December as follows: \$840,000 in 2004 through 2016; interest at rates from 4.60% to 5.65%, depending upon maturity .....	10,920,000
\$1,455,000—1997 Series B Bonds, due in annual installments each June as follows: \$80,000 in 2004 and 2005, \$85,000 in 2006 and 2007, \$90,000 in 2008 through 2010, \$95,000 in 2011 and 2012, \$100,000 in 2013 and \$105,000 in 2014; interest at rates from 4.30% to 5.30%, depending upon maturity .....	995,000
\$13,970,000—1997 Series C Bonds, due in annual installments each December as follows: \$800,000 in 2004, \$775,000 in 2005, \$760,000 in 2006, \$750,000 in 2007, \$730,000 in 2008, \$710,000 in 2009, \$700,000 in 2010, \$675,000 in 2011, \$650,000 in 2012, \$490,000 in 2013, \$350,000 in 2014 and \$340,000 in 2015; interest at rates from 4.50% to 5.30%, depending upon maturity .....	7,730,000

\$82,980,000—1997 Series D Bonds, due in annual installments each November as follows: \$2,460,000 in 2004, \$2,410,000 in 2005, \$2,385,000 in 2006, \$2,176,000 in 2007, \$1,018,000 in 2014, \$993,000 in 2015, \$980,000 in 2016 and \$865,000 in 2017; interest at 4.625% .....	13,287,000
\$56,375,000—1998 Series A Bonds, due in annual installments each November as follows: \$3,190,000 in 2004 and 2005, \$3,045,000 in 2006, \$3,040,000 in 2007, \$2,510,000 in 2008, \$1,750,000 in 2009, \$0 in 2010 through 2013, \$1,205,000 in 2014 and 2015, \$1,200,000 in 2016, \$1,120,000 in 2017 and \$1,115,000 in 2018; interest at rates from 4.00% to 4.50%, depending upon maturity .....	22,570,000
\$74,240,000—1998 Series B Refunding Bonds, due in annual installments each November as follows: \$6,306,223 in 2004, \$5,435,024 in 2005, \$4,890,024 in 2006, \$3,081,223 in 2007, \$2,211,223 in 2008, \$2,180,023 in 2009, \$2,010,023 in 2010, \$1,985,000 in 2011 and \$1,660,000 in 2012; interest at rates from 4.00% to 4.50%, depending upon maturity .....	29,758,763
\$55,480,000—1999 Bonds, due in annual installments each November as follows: \$4,915,000 in 2004, \$2,780,000 in 2005, \$2,640,000 in 2006 and 2007, \$2,425,000 in 2008, \$2,175,000 in 2009, \$1,060,000 in 2017, \$1,030,000 in 2018, and \$1,010,000 in 2019; interest at rates from 5.00% to 5.25%, depending upon maturity .....	20,675,000
\$2,200,000—2000 Series A Bonds, due in annual installments each December as follows: \$110,000 in 2004 through 2019; interest at rates from 4.88% to 5.96%, depending upon maturity.....	1,760,000
\$7,485,000—2000 Series B Bonds, due in annual installments each July as follows: \$400,000 in 2004, \$395,000 in 2005, \$390,000 in 2006 through 2015, \$365,000 in 2016 through 2018, \$355,000 in 2019 and \$140,000 in 2020; interest at rates from 4.752% to 5.742%, depending upon maturity .....	6,285,000
\$46,560,000—2000 Series C Bonds, due in annual installments each November as follows: \$3,620,000 in 2004, \$3,540,000 in 2005, \$2,465,000 in 2006, \$2,355,000 in 2007, \$2,225,000 in 2008, \$2,155,000 in 2009, \$2,030,000 in 2010, \$1,750,000 in 2011, \$975,000 in 2016 and 2017, \$835,000 in 2018, \$590,000 in 2019 and \$525,000 in 2020; interest at rates from 4.75% to 5.00%, depending upon maturity .....	24,040,000
\$5,986,860—2001 Series A Bonds, due in annual installments each November as follows: \$305,000 in 2004, \$300,000 in 2005 through 2015 and \$295,000 in 2016 through 2020; interest at rates from 3.63% to 5.13%, depending upon maturity .....	5,080,000
\$1,413,940—2001 Series B Bonds, due in annual installments each November as follows: \$105,000 in 2004, \$100,000 in 2005 and 2006, \$95,000 in 2007 and 2008, \$90,000 in 2009, \$85,000 in 2010, \$80,000 in 2011 through 2013 and \$70,000 in 2014 through 2016; interest at rates from 3.324% to 4.894%, depending upon maturity.....	1,120,000
\$8,089,638—2001 Series C Bonds, due in annual installments each November as follows: \$550,000 in 2004, \$540,000 in 2005, \$530,000 in 2006, \$515,000 in 2007, \$500,000 in 2008, \$490,000 in 2009, \$470,000 in 2010, \$465,000 in 2011, \$445,000 in 2012, \$405,000 in 2013, \$395,000 in 2014, \$390,000 in 2015, \$385,000 in 2016 and \$380,000 in 2017; interest at rates from 3.324% to 4.954%, depending upon maturity.....	6,460,000

\$377,955—2001 Series D Bonds, due in annual installments each May as follows: \$15,000 in 2004 through 2006, \$20,000 in 2007 through 2012, \$25,000 in 2013 through 2017 and \$30,000 in 2018 and 2019; interest at rates from 3.324% to 5.104%, depending upon maturity .....	350,000
\$2,925,237—2001 Series E Bonds, due in annual installments each November as follows: \$150,000 in 2004 through 2011, \$145,000 in 2012 through 2016 and \$140,000 in 2017 through 2020; interest at rates from 3.324% to 5.514%, depending upon maturity.....	2,485,000
\$77,625,000—2001 Series F Bonds, due in annual installments each November as follows: \$6,835,000 in 2004, \$5,105,000 in 2005 and 2006, \$4,100,000 in 2007, \$3,940,000 in 2008 through 2011, \$3,640,000 in 2012, \$3,630,000 in 2013, \$3,560,000 in 2014, \$3,070,000 in 2015 and 2016, \$2,035,000 in 2017, \$2,025,000 in 2018 and 2019, and \$1,415,000 in 2020 and 2021; interest at rates from 3.25% to 4.50%, depending upon maturity .....	62,790,000
\$2,122,532—2002 Series A Bonds, due in annual installments each October as follows: \$140,000 in 2004, \$132,532 in 2005, \$140,000 in 2006 through 2011, \$135,000 in 2012, \$130,000 in 2013 through 2016, and \$75,000 in 2017; interest at rates of 2.212% to 4.712%, depending upon maturity .....	1,842,532
\$8,900,000—2002 Series B Bonds, due in annual installments each October as follows: \$445,000 in 2004 through 2021; interest at rates of 2.212% to 4.982%, depending upon maturity.....	8,010,000
\$22,330,800—2002 Series C Bonds, due in annual installments each October as follows: \$1,125,000 in 2004, \$1,100,800 in 2005, \$1,125,000 in 2006 through 2008, \$1,120,000 in 2009 through 2012, \$1,115,000 in 2013 and 2014, \$1,110,000 in 2015 through 2020, and \$1,100,000 in 2021; interest rates of 2.024% to 5.004%, depending upon maturity .....	20,070,800
\$99,515,000—2002 Series E Bonds, due in annual installments each December as follows: \$7,930,000 in 2004, \$7,600,000 in 2005, \$7,520,000 in 2006, \$7,465,000 in 2007, \$5,605,000 in 2008, \$5,580,000 in 2009 and 2010, \$5,430,000 in 2011, \$5,410,000 in 2012, \$5,150,000 in 2013, \$5,130,000 in 2014, \$5,035,000 in 2015, \$4,840,000 in 2016, \$4,830,000 in 2017, \$3,420,000 in 2018, \$3,360,000 in 2019, and \$565,000 in 2020 through 2022; interest at rates from 2.50% to 4.50%, depending upon maturity .....	91,580,000
\$19,835,000—2002 Series F Bonds, due in annual installments each December as follows: \$1,140,000 in 2004, \$1,175,000 in 2005, \$1,210,000 in 2006, \$1,245,000 in 2007, \$1,285,000 in 2008, \$1,325,000 in 2009, \$1,370,000 in 2010, \$1,415,000 in 2011, \$1,465,000 in 2012, \$1,520,000 in 2013, \$1,575,000 in 2014, \$1,640,000 in 2015, \$1,700,000 in 2016, and \$1,770,000 in 2017; interest at rates from 3.00% to 4.25%, depending upon maturity. ....	19,835,000
\$38,454,487—2003 Series A Bonds, due in annual installments each January as follows: \$1,325,000 in 2004, \$1,320,000 in 2005, \$1,289,487 in 2006, \$1,305,000 in 2007, \$1,300,000 in 2008 and 2009, \$1,295,000 in 2010 through 2012, \$1,290,000 in 2013 and 2014, \$1,285,000 in 2015 and 2016, \$1,280,000 in 2017 through 2022, \$1,270,000 in 2023 and 2024, \$1,265,000 in 2025 through 2029, \$1,260,000 in 2030 through 2032, and \$1,255,000 in 2033; interest at rates of .721% to 4.612%, depending upon maturity .....	38,454,487
\$43,770,000—2003 Series B Bonds, due in annual installments each December as follows: \$2,625,000 in 2005, \$2,675,000 in 2006, \$2,730,000 in 2007, \$2,785,000 in 2008, \$2,850,000 in 2009, \$2,925,000 in 2010, \$3,005,000 in 2011, \$3,100,000 in 2012, \$3,205,000 in 2013, \$3,315,000 in 2014, \$3,440,000 in 2015, \$3,565,000 in 2016, \$3,700,000 in 2017, and \$3,850,000 in 2018; interest at rates of 2.00% to 4.00%, depending upon maturity.....	43,770,000

\$6,230,000—2003 Series C Bonds, due in annual installments each December as follows: \$630,000 in 2005, \$645,000 in 2006, \$655,000 in 2007, \$670,000 in 2008, \$685,000 in 2009, \$705,000 in 2010, \$725,000 in 2011, \$745,000 in 2012, and \$770,000 in 2013; interest at rates of 2.00% to 3.50%, depending upon maturity ..... 6,230,000

\$60,790,000—2003 Series D Bonds, due in annual installments each November as follows: \$2,215,000 in 2004, \$950,000 in 2005, \$2,750,000 in 2006, \$3,995,000 in 2007, \$5,015,000 in 2008, \$4,950,000 in 2009, \$8,635,000 in 2010, \$8,495,000 in 2011, \$9,115,000 in 2012, \$7,555,000 in 2013, \$3,485,000 in 2014, \$2,570,000 in 2015, and \$1,060,000 in 2016; interest at rates of 2.00% to 5.00%, depending upon maturity ..... 60,790,000

Total Bonds ..... \$ 629,780,868

\$11,690,000—2003 Pension Bond Anticipation Note, due in annual installments each December as follows: \$2,340,000 in 2004 through 2006, and \$2,335,000 in 2007 and 2008; interest at 2.89% ..... \$ 11,690,000

The annual requirements to amortize all issued bond and note debt outstanding as of December 31, 2003, including interest payments of \$193,651,973, are as follows:

Year Ended	General Fund	Sewer Districts Fund	Refuse Disposal District Fund	Water Districts Fund	Airport Fund	Total
2004	\$ 72,204,462	\$ 19,399,902	\$ 3,348,439	\$ 363,319	\$ 4,022,175	\$ 99,338,297
2005	62,661,801	18,572,721	3,528,305	454,900	3,950,486	89,168,213
2006	57,819,064	17,592,896	3,392,440	454,505	3,581,822	82,840,727
2007	51,814,399	16,783,685	2,890,456	451,460	3,144,001	75,084,001
2008	45,235,110	16,148,842	2,905,040	441,664	2,829,416	67,560,072
2009-2013	164,436,024	56,339,519	10,933,994	1,931,293	8,654,662	242,295,492
2014-2018	95,130,661	30,171,688	5,530,473	405,040	2,408,928	133,646,790
2019-2023	12,513,988	15,194,095	1,766,108	5,263	181,931	29,661,385
2024-2028	—	8,502,396	—	—	—	8,502,396
2029-2033	—	7,025,468	—	—	—	7,025,468
	<u>\$ 561,815,509</u>	<u>\$ 205,731,212</u>	<u>\$ 34,295,255</u>	<u>\$ 4,507,444</u>	<u>\$ 28,773,421</u>	<u>\$ 835,122,841</u>

**Interest Expense**

Interest expenditures for Governmental Funds on a fund basis was as follows:

General Fund	<u>\$ 17,637,258</u>
Sewer Districts	<u>5,895,679</u>
Airport Fund	1,296,629
Water Districts	82,083
Refuse Disposal District	<u>1,253,780</u>
Total Non-Major Funds	<u>2,632,492</u>
Total Governmental Funds	26,165,429
Statement of Activities Reconciliation	<u>6,514,746</u>
Total Statement of Activities	<u>\$ 32,680,175</u>

The above general obligation bonds and note are direct obligations of the County for which its full faith and credit are pledged and are payable from taxes levied on all taxable real property within the County.

**Advance Refunding**

On December 23, 2003, the County issued its 2003D Bonds in the amount of \$60,790,000 to advance refund an aggregate of \$62,494,000 of previously issued County Bonds as follows: 1993A, \$3,567,000; 1993B, \$9,765,000; 1995A, \$8,143,000; 1996A, \$8,256,000; 1997D, \$8,928,000; 1998A, \$6,455,000; 1999, \$10,915,000; and 2000C, \$6,465,000. The bond proceeds (exclusive of costs) of the 2003D issue were placed in an irrevocable trust to provide for all future debt service payments on the refunded bonds. The County considers these bonds to be defeased. Accordingly, the trust account assets and liability for these bonds are not included in the County's financial statements. As of December 31, 2003, \$62,494,000 of these bonds outstanding is considered to be defeased.

The County advance refunded portions of these bonds to reduce its total debt service payments over 13 years by \$1,995,434 and to obtain a net present value economic gain of \$1,877,137.

## 2004B Delayed Delivery AMT Refunding Bonds

The County priced \$4,280,000 of delayed delivery bonds on December 23, 2003 to advance refund \$4,630,000 of the County's 1994 Series B AMT Bonds. The delayed delivery bonds are scheduled to close on August 17, 2004. Upon closing, the bond proceeds (exclusive of costs) will be placed into an irrevocable trust to provide for all future debt service payments on the refunded bonds. As of August 17, 2004, the County will consider the 1994 Series B AMT Bonds to be defeased. Accordingly, as of that date, the trust account assets and liability for these bonds will not be included in the County's financial statements. This delayed delivery advanced refunding has been calculated to reduce the County's debt service by \$564,836 through December 2014 and calculated to provide the County with a net present value savings of \$499,142.

### Prior Years Defeasance of Debt

In prior years, the County has advance refunded various County bonds by placing the proceeds of the refunding bonds in irrevocable trusts to provide for all future debt service payments on the refunded bonds. The County considers these refunded bonds to be defeased. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. As of December 31, 2003, \$93,615,023 of refunded bonds outstanding is considered defeased, inclusive of the 2003 Series D bonds.

### Capital Lease Payable

On October 28, 1998, the County entered into a 25-year lease agreement with the Dormitory Authority of the State of New York for renovation work at the County Courthouse and construction of an adjacent annex. The principal portion of the Courthouse lease has been capitalized in the Statement of Net Assets.

The terms of the lease provide for annual payments as follows:

2004	\$ 10,785,838
2005	10,786,138
2006	10,784,813
2007	10,784,063
2008	10,786,438
2009-2013	53,935,675
2014-2018	53,928,332
2019-2023	<u>48,532,500</u>
	210,323,797
Less amounts representing interest	<u>77,782,174</u>
Present Value of lease payments	<u>\$ 132,541,623</u>

Interest expense of \$5,610,000 was recorded in the Statement of Activities.

## Compensated Absences

The County, effective January 1, 1991, adopted a sick leave buy out plan for the managerial class of employees. The plan provides that, at the termination of their employment, these employees may receive payment of fifty percent of up to 240 days of their accumulated sick leave at prevailing pay rates. The collective bargaining agreement between the County and the Civil Service Employees Association provides that, effective January 1, 1992, any employee who is eligible for retirement and retires and has at least fifty sick leave days accumulated at retirement shall receive a full day's pay for one half of the accumulated days at the current rate of pay. However, in no event shall any employee receive more than 120 days of pay. Under the terms of the other existing collective bargaining agreements, the County is not obligated to pay accumulated sick leave upon separation of service. The value of the accumulated sick leave was approximately \$15,500,000 at December 31, 2003. The County is obligated to pay employees vacation pay up to a maximum of two years' accumulation. As a result, unpaid vacation days may range from zero to forty days per employee. The estimated vacation leave at December 31, 2003 was approximately \$9,100,000. This amount has been reflected in the Statement of Net Assets. Accumulated sick and vacation leave of the component units has been recorded as an expense, as the benefits accrue to the employees.

### Landfill Post-Closure Costs

State and Federal laws and regulations require the Refuse Disposal District to cover its Sprout Brook Ash Landfill and Croton Point Landfill as areas are filled. Current estimates for the costs to close and cover all areas at the landfill are \$5,250,000. The County anticipates funding this cost through the issuance of bonds. The estimated post-closure maintenance and monitoring functions will cost approximately \$32,785,607 over the years 2004 through 2037. The Refuse Disposal District will fund the post-closure operating costs through tipping fees and tax levies.

**Component Unit Long-Term Debt—WCHCC**

Long-term debt activity for the year ended December 31, 2003 was as follows:

	<u>December 31, 2002 balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2003 balance</u>	<u>Amounts due within one year</u>
Long-term debt:					
2000 Series Bonds	\$ 254,150,000	\$ —	\$ (550,000)	\$ 253,600,000	\$ 2,000,000
2002 Series Bonds	5,070,000		(200,000)	4,870,000	235,000
Due to Westchester County	19,835,000	10,730,000	—	30,565,000	1,140,000
Note payable	65,000,000	24,500,000	(4,600,000)	84,900,000	84,900,000
Dormitory Authority of the State of New York	2,750,000	—	(2,750,000)	—	—
Other	450,750	1,720,135	(450,750)	1,720,135	466,403
	<u>\$ 347,255,750</u>	<u>\$ 36,950,135</u>	<u>\$ (8,550,750)</u>	<u>\$ 375,655,135</u>	<u>\$ 88,741,403</u>



(a) In 2000, WCHCC participated in a bond offering dated November 1, 2000 relating to \$255,100,000 Westchester County Health Care Corporation Series 2000 Revenue Bonds consisting of \$113,240,000 Series 2000A Senior Lien with interest varying from 5.875% to 6%, \$91,310,000 Series 2000B Subordinate Lien (Westchester County Guaranteed) with interest varying from 5% to 5.75%, \$47,575,000 Series 2000C-1 Tax Exempt – Subordinate Lien (Westchester County Guaranteed) with interest varying from 5.0% to 5.375%, and \$2,975,000 PARS Series 2000C-2 Subordinate Lien (Westchester County Guaranteed). The proceeds of the Series 2000 Bonds, together with available funds, will be used to: (i) finance the construction of the Children’s Hospital and Trauma Center and related projects at the Medical Center; (ii) refinance indebtedness of WCHCC to the County; (iii) finance certain routine capital projects at WCHCC facilities; (iv) reimburse WCHCC for costs incurred in the acquisition of an on-site parking facility, (v) fund, from the proceeds of the Series 2000 Senior Bonds, separate debt service reserve fund accounts for the Series 2000 Senior Bonds and Series 2000 Subordinate Bonds; and (vi) pay costs related to the issuance of the aforementioned bonds.

As security for payment of all obligations, WCHCC has granted a security interest in its gross receipts as well as pledged all funds and accounts established with respect to the Series 2000 Bonds, including the Debt Service Reserve Fund of \$20,138,000 as of December 31, 2003.

Under Section 6.13(a) of the Master Trust Indenture (MTI) between WCHCC and the Bank of New York as the Master Trustee, the section requires, among other things, that the Obligated Group, which is defined as the operating units of Westchester County Health Care Corporation (the Medical Center and the Center), maintain a Long-Term Debt Service Coverage Ratio, tested on a semiannual basis in accordance with the provisions of the MTI, of at least 1.25 for the Series 2000 bonds.

WCHCC failed to maintain the required Long-Term Debt Service Coverage Ratio for the Obligated Group for the 12-month period ended June 30, 2002, and each subsequent measurement period through and including December 31, 2003. The MTI provides that, in the event of a failure to satisfy the required ratio, the Obligated Group shall: (i) prepare a scope of work for a consultant acceptable to the County and Master Trustee; (ii) retain a consultant acceptable to the County and the Master Trustee; (iii) require such consultant to commence work on a report to be delivered to the Obligated Group, the County, and the Master Trustee recommending changes with respect to the operation and management of the Obligated Group’s facilities; and (iv) implement such consultant’s recommendations in a timely manner. Management of WCHCC has received a legal opinion that the MTI further provides that in no event shall failure to satisfy the financial ratios required under Section 6.13(a) thereof constitute an Event of Default under the MTI.

A consultant acceptable to both the County and the Master Trustee was engaged by the Directors of WCHCC to provide recommended modifications to WCHCC’s services, cost structure, staffing, and service delivery model. In management’s opinion, WCHCC is currently complying with the consultant’s recommendations.

The following is a schedule, by years, of future principal and interest payments on the Series 2000 Bonds as of December 31, 2003:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2004	\$ 2,000,000	\$ 14,265,184	\$ 16,265,184
2005	3,000,000	14,165,184	17,165,184
2006	5,285,000	14,015,184	19,300,184
2007	6,390,000	13,750,934	20,140,934
2008	6,755,000	13,383,509	20,138,509
2009-2013	39,670,000	61,030,681	100,700,681
2014-2018	51,085,000	49,315,308	100,400,308
2019-2023	48,320,000	35,461,319	83,781,319
2024-2028	61,215,000	20,144,563	81,359,563
2029-2030	29,880,000	2,665,000	32,545,000
	<b>\$ 253,600,000</b>	<b>\$ 238,196,866</b>	<b>\$ 491,796,866</b>

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the costs of construction. During 2003 and 2002, interest expense of approximately \$10,200,000 and \$3,100,000, respectively, was capitalized and is included in capital assets. Interest expense relating to the Series 2000 Revenue Bonds was approximately \$12,100,000 and \$12,300,000 in 2003 and 2002, respectively. Such amounts were reduced by investment earnings of approximately \$3,600,000 and \$7,600,000 in 2003 and 2002, respectively, from unexpended proceeds from related debt.

(b) In December 2002, WCHCC issued its Revenue Bonds (Series 2002 – Subordinate Lien) (Westchester County Guaranteed) (Series 2002 Bonds) in the amount of \$5,070,000, with interest varying from 2% to 5%, through a private placement. The proceeds of the Series 2002 Bonds will be used to finance and/or refinance a portion of the cost of some or all of the following facilities and purposes: (i) various information technology infrastructure projects; (ii) the design, installation, and reconstruction of various

capital projects within the Center, the Medical Center, the Behavioral Health Center, and the Bradhurst Pavilion; (iii) the construction of approximately 90 additional parking spaces at the Bradhurst Pavilion; (iv) design and construction to convert medical surgical beds to certified intensive care unit requirements; and (v) the acquisition and installation of fixed and moveable medical equipment, office, and other furnishings and computer and information systems, in connection with all of the foregoing.

As security for payment of all obligations, WCHCC has granted a security interest in its gross receipts, as well as pledged all funds and accounts established with respect to the Series 2002 Bonds, including the Debt Service Reserve Fund of \$440,000 as of December 31, 2003.

The following is a schedule by year of future principal and interest payments on the 2002 private placement bonds as of December 31, 2003:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 235,000	\$ 197,969	\$ 432,969
2005	240,000	193,269	433,269
2006	245,000	188,169	433,169
2007	250,000	182,044	432,044
2008	260,000	174,544	434,544
2009-2013	1,435,000	730,488	2,165,488
2014-2018	1,790,000	379,781	2,169,781
2019	415,000	20,750	435,750
	<u>\$ 4,870,000</u>	<u>\$ 2,067,014</u>	<u>\$ 6,937,014</u>

Interest expense relating to the Series 2002 Bonds was approximately \$171,000 in 2003.

(a) In December 2002, the County issued General Obligation Serial Bonds – 2002 Series F (WCHCC Capital Project Bonds) (2002 Series F Bonds) on behalf of WCHCC in the amount of \$19,835,000, with interest rates varying from 3.0% to 4.25%. The proceeds of the 2002 Series F Bonds will be used to provide funds to finance the cost or part of the following capital improvements: (i) the 2001 Information Technology Program; (ii) the 2001 Facilities Management Program; (iii) the 2002 Information Technology Program; (iv) the 2002 Facilities Management Program; (v) the 2002 Building Program Renovations; and (vi) the 2002 Taylor Care Center Improvements.

(b) In December 2003, the County issued General Obligation Serial Bonds—Series C (WCHCC Capital Project Bonds) (2003 Series C Bonds) on behalf of WCHCC in the amount of \$6,230,000, with interest rates

varying from 2% to 3.5%. The proceeds of the 2003 Series C Bonds will be used to provide funds to finance the cost of various capital projects.

In December 2003, the County issued General Obligation Serial Bonds—Series B (2003 Series B Bonds) on behalf of WCHCC in the amount of \$4,500,000, with interest rates varying from 2% to 4%. The proceeds of the 2003 Series B Bonds were utilized to reimburse the County for expenses paid by the County to finance various settlements/judgments related to malpractice cases for which WCHCC is contractually bound to indemnify the County under the terms of the Transition Agreement.

The following is a schedule by year of future principal and interest payments due to the County as of December 31, 2003:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 1,140,000	\$ 1,010,592	\$ 2,150,592
2005	2,074,877	983,246	3,058,123
2006	2,130,017	929,998	3,060,015
2007	2,180,672	875,296	3,055,968
2008	2,241,326	816,121	3,057,447
2009-2013	12,275,891	3,015,377	15,291,268
2014-2017	8,522,217	925,812	9,448,029
	<u>\$ 30,565,000</u>	<u>\$ 8,556,442</u>	<u>\$ 39,121,442</u>

Interest Expense relating to the 2002 Series F Bonds was approximately \$703,000 in 2003. Such amounts were reduced by investment earnings of approximately \$257,000 in 2003 from unexpended proceeds from related debt.

(d) In accordance with Section 9.0 of the Transition Agreement with the County (see note 12), the County agrees to provide credit support in the form of a contract to provide subsidies for the purposes of obtaining commercial paper, letters of credit, revolving lines of credit, etc., or to otherwise provide a guarantee of WCHCC's repayment obligation. In 2001, WCHCC obtained access to \$75,000,000 in taxable commercial paper through Goldman Sachs. The outstanding balance as of December 31, 2003 and 2002 was \$75,000,000 and \$65,000,000, respectively, guaranteed by the County and had an interest rate of 1.1% and 1.4% as of December 31, 2003 and 2002, respectively.

WCHCC also has a line of credit available with the Bank of New York guaranteed by the County with an interest rate of the Federal funds rate plus 0.29%, such rate being 1.29% as of December 31, 2003. The amount outstanding was \$9,900,000 as of December 31, 2003. There were no amounts outstanding as of December 31, 2002.

(e) Westchester-Ellenville received an interest-free loan from DASNY in 2002 in the amount of \$2,750,000. As part of the bankruptcy filing of Westchester-Ellenville, the amount due to DASNY has been reclassified as current liabilities subject to compromise.

#### J. Operating Transfers

Interfund transfers are defined as the flow of assets, such as cash or goods and services, without equivalent flows of assets in return. The interfund transfers reflected below have been reported as transfers.

<u>Transfers Out</u>	<u>Transfers In</u>				<u>Total</u>
	<u>General</u>	<u>Sewer Districts</u>	<u>Capital Projects</u>	<u>Non-Major Governmental</u>	
General	\$ —	\$ 373,630	\$ —	\$ 2,926,632	\$ 3,300,262
Sewer Districts	63,804	—	547,000	—	610,804
Capital Projects	1,699,593	2,453,000	—	1,430,354	5,582,947
Non-Major Governmental	35,564	—	1,225,000	—	1,260,564
	<u>\$ 1,798,961</u>	<u>\$ 2,826,630</u>	<u>\$ 1,772,000</u>	<u>\$ 4,356,986</u>	<u>\$ 10,754,577</u>

#### K. Post Employment Health Care Benefits

In addition to providing pension benefits, the primary government and its College component unit provides certain health care benefits for retired employees. The various collective bargaining agreements stipulate the employees covered and the percentage of contribution. Contributions by the primary government and its College component unit may vary according to length of service.

Substantially all employees may become eligible for those benefits if they reach normal retirement age while working for these entities. The cost of retiree health care benefits is recognized as an expenditure/expense as claims are paid. Expenditures/expenses for the primary government in 2003 aggregated \$26,327,331 paid on behalf of 3,700 retirees.

### Postemployment Benefits

WCHCC provides Other Postemployment Benefits (OPEB) that provide basic medical and hospitalization plan coverage to eligible retirees. Eligible retirees may only be covered under the indemnified plan of WCHCC. To qualify, retirees must: (i) have at least five (5) years of paid service with WCHCC (service prior to January 1, 1998 with the County counts towards the five-year requirement); and (ii) be eligible to receive a retirement allowance from a retirement system administered by the State of New York or one of its civil divisions. Individual coverage is provided to retirees at no cost. Retirees may elect family coverage at a cost of 20% of the difference between the premium equivalent cost of family and individual coverage. Currently, 64% of the participants have elected individual coverage, with the full cost borne by WCHCC. The cost of retiree health care benefits and prescription drugs is recognized as an expenditure as claims are paid.

Data related to retired employees' health care benefits for fiscal year 2003 is as follows:

Number of retired employees	320
Cost of health care benefits and prescription drugs	\$ 3,242,576

### L. Net Assets

*Invested in Capital Assets, net of Related Debt*— the component of net assets that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

*Restricted for Special Revenue Funds*— the component of net assets that represents funds restricted for specific purposes under New York State law or by external parties and/or statutes.

*Restricted for Workers' Compensation Benefits*— the component of net assets that has been established to set aside funds to be used for a specific purpose in accordance with Section 6j of General Municipal Law.

*Restricted for Debt Service*— the component of net assets that reports the difference between assets and liabilities with constraints placed on their use by Local Finance Law.

*Unrestricted*— all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

### M. Fund Balances

Certain elements of reserved fund balance are described above. Those additional elements which are not reflected in the statement of net assets but are reported in the governmental funds balance sheet are described below. The unreserved components of fund balance are also detailed below.

	<u>General</u>	<u>Sewer Districts</u>	<u>Capital Projects</u>	<u>Non-Major Governmental</u>
Reserved:				
Reserved or Encumbrances	\$ 6,559,004	\$ 1,158,918	\$ —	\$ 225,909
Reserved for Inventories	79,433	—	—	—
Reserved for WCHCC Notes	24,925,000	—	—	—
Reserved for Deferred Charges	4,079,923	—	—	—
Reserved for State Receivables	10,000,000	—	—	—
Reserved for Debt Service	—	—	9,160,958	—
Total Reserved	<u>45,643,360</u>	<u>1,158,918</u>	<u>9,160,958</u>	<u>225,909</u>
Unreserved:				
Designated for Pre-1998 WCHCC Claims	12,050,520	—	—	—
Designated for Debt Service	9,971,827	—	—	—
Designated for Investment in Inventories	320,567	—	—	—
Designated for Waste Diversion	—	—	—	2,000,000
Designated for Charles Point Cost Escalation	—	—	—	19,508,472
Designated for Employee Benefits	15,840,000	—	—	—
Designated for Subsequent Year's Expenditures	24,530,626	8,530,946	6,501,786	6,733,551
Undesignated	<u>30,700,314</u>	<u>53,650,067</u>	<u>(19,360,100)</u>	<u>42,855,372</u>
Total Unreserved	<u>93,413,854</u>	<u>62,181,013</u>	<u>(12,858,314)</u>	<u>71,097,395</u>
Total Fund Balances	<u>\$ 139,057,214</u>	<u>\$ 63,339,931</u>	<u>\$ (3,697,356)</u>	<u>\$ 71,323,304</u>

## Reserved

Encumbrances outstanding have been reserved as it is the County's intention to honor the contracts in process at year-end. The subsequent year's appropriations will be amended to provide authority to complete the transactions.

Inventories in the General Fund have been reserved to indicate that a portion of fund balance is not "available" for appropriation or expenditure because the asset is in the form of commodities. The County anticipates utilizing them in the normal course of operations.

The Reserve for Deferred Charge has been established to account for employee retirement costs paid in advance. The reserve indicates that these funds are not "available" for appropriation or expenditure even though they are a component of current assets.

The Reserve for State Receivables is primarily for the NYS Education and Transportation of the Handicapped represents the Administration's estimate of State aid amounts which will not be remitted to the County within the period "available" for income recognition by the County in 2003 and other State aid that, due to the State's fiscal problems, may not be remitted within the "available" period. These funds are not "available" for appropriation or expenditure even though they are a component of current assets.

The Reserve for Westchester County Health Care Corporation Notes represents restrictions on bond proceeds sold by the County on behalf of WCHCC. This reserve will

be reduced as WCHCC reimburses the County for the debt service payments.

The Reserve for pre-1998 WCHCC Insurance Claims is for insurance malpractice cases where the County was named as a defendant when the Medical Center was a department of the County.

The Reserve for Debt Service in the Capital Projects Fund Reserve represents interest earned on the investment of Capital Projects Fund monies and other payments which are restricted pursuant to New York State Law to the payment of debt service on the respective projects.

## Unreserved - Designated

Designations of funds balance are not legally required segregations but represent intended use for a specific purpose. The County's designations are as follows:

*Designation for Pre-1998 WCHCC Claims:* The County has designated \$12,050,520 of the fund balance of the General Fund to provide future funding to the Insurance Reserve Fund for WCHCC claims assumed by the County.

*Designation for Debt Service:* The County has designated \$9,971,827 to provide funding for debt service payments related to the 2003 Pension Bond.

*Designation for Investment in Inventories:* The Designation for Investment in Inventories represents funds authorized by the Board of Legislators to be invested in inventory type items.

*Designated for Waste Diversion:* The Board of Legislators has set aside funds to provide for potential expenditures for an emergency bypass at the Peekskill plant, in the event the plant is unable to operate.

*Designation for Charles Point Cost Escalation:* The Refuse Disposal District is designating funds to partially offset cost increases of the retrofit project at the Charles Point Facility as required under the Federal Clean Air Act. The project was completed on June 30, 2000. Beginning July 1, 2000, the operator of the facility increased the tipping fee paid by the District by \$2 per ton plus formula adjustments to include the cost of funding the project bonds and related increased operating costs.

*Designation for Employee Benefits:* The Designation for Employee Benefits is for the funding of union contracts

for retroactive salaries that are negotiated for completed years subsequent to contract expiration dates.

*Designation for Subsequent Year's Expenditures:* At December 31, 2003, the County has designated that \$24,530,626 of the General Fund, \$8,530,946 of the Sewer Districts Fund, \$832,268 of the Water Districts Fund, \$801,280 of the Airport Fund and \$5,100,003 of the Refuse District Fund be used to fund 2004 operations. In addition, \$6,501,786 of Capital Projects Fund resources are appropriated in the 2004 budget.

The components of fund balance for the Sewer Districts, Water Districts and Refuse District No. 1 funds are as follows:

	<u>Reserved for Encumbrances</u>	<u>Other Designations</u>	<u>Designated for Subsequent Year's Expenditures</u>	<u>Undesignated</u>	<u>Total</u>
<b>SEWER DISTRICTS FUND</b>					
Blind Brook.....	\$ 198,650	\$ —	\$ 552,787	\$ 1,126,813	\$ 1,878,250
Bronx Valley.....	5,581	—	1,368,506	10,252,952	11,627,039
Central Yonkers.....	—	—	92,723	884,475	977,198
Hutchinson Valley.....	16,423	—	883,583	2,192,511	3,092,517
Mamaroneck Valley.....	79,410	—	923,960	13,713,750	14,717,120
New Rochelle.....	284,261	—	584,224	2,924,545	3,793,030
North Yonkers.....	127,313	—	463,189	2,072,441	2,662,943
Ossining.....	141,270	—	645,151	3,408,787	4,195,208
Peekskill.....	159,825	—	505,471	1,502,206	2,167,502
Port Chester.....	65,936	—	390,388	4,591,243	5,047,567
Saw Mill Valley.....	35,054	—	1,428,226	8,280,119	9,743,399
South Yonkers.....	45,195	—	551,587	2,147,520	2,744,302
Upper Bronx Valley.....	—	—	141,151	552,705	693,856
	<u>\$ 1,158,918</u>	<u>\$ —</u>	<u>\$ 8,530,946</u>	<u>\$ 53,650,067</u>	<u>\$ 63,339,931</u>
<b>WATER DISTRICTS FUND</b>					
Water District No. 1	\$ 1,741	\$ —	\$ 569,403	\$ 409,214	\$ 980,358
Water District No. 2	—	—	155,195	654,271	809,466
Water District No. 3	1,907	—	100,000	699,518	801,425
Water District No. 4	—	—	7,670	250,437	258,107
	<u>\$ 3,648</u>	<u>\$ —</u>	<u>\$ 832,268</u>	<u>\$ 2,013,440</u>	<u>\$ 2,849,356</u>
<b>REFUSE DISPOSAL DISTRICT</b>	<u>\$ 90,640</u>	<u>\$ 21,508,472</u>	<u>\$ 5,100,003</u>	<u>\$ 22,055,356</u>	<u>\$ 48,754,471</u>

## NOTE 4

### SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

#### Litigation

The County, its officers and employees are defendants in a number of lawsuits. The County is self-insured for general negligence, public officials' liability losses and workers' compensation. The Department of Law, headed by the County Attorney, has reviewed the status of pending lawsuits and reports that an adverse decision in the following cases could have the potential for a material expenditure in excess of any applicable insurance or has not been provided for in the self-insurance reserves.

*Board of Education of the City School District of the City of New Rochelle v. County of Westchester, Greenburgh-North Castle Union Free School District and St. Christopher's-Jennie Clarkson Child Care Services, Inc.:* This case, commenced in Supreme Court, Westchester County, concerns tuition reimbursement for children placed in non-secure juvenile detention facilities. The County's motion to dismiss was granted. Plaintiffs appealed. The order appealed from was reversed and the action was remanded to the lower court for factual determinations. Settlement negotiations are underway.

*Cameron v. Church:* This action was commenced in Westchester County Supreme Court. Petitioner seeks declaratory relief and a retroactive award of wages. By decision dated February 15, 2000, the Court directed the retroactive appointment of petitioner to a County position. The County appealed. On August 6, 2001, the Appellate Division, Second Department, modified the judgment of the Supreme Court by holding that the Supreme Court erred in directing that petitioner be appointed to that position. The Appellate Division noted that petitioner was only entitled to consideration of his application on the merits, without improper factors. Petitioner filed a motion to renew, and the motion has been denied. Petitioner appealed the denial of his motion. The Second Department remitted the matter to reconsider the petitioner's application for back pay and benefits.

*Hudson Riverkeepers Fund, Inc., et al. v. Andrew O'Rourke, et al.:* This case arose from the operation of the gun range at the Sportsman Center in Peekskill, New York. Plaintiffs alleged that the County's continued operation of the site, failure to remove lead and the continued discharge of lead-contaminated materials endangered or threatened to endanger the environment and human health. Plaintiffs' request for relief included remediation and clean up of the site, penalties, costs and attorney's fees. The County negotiated and entered into a settlement. Independent of this case, the Environmental Protection Agency ("EPA") and the County entered into an Order of Consent, authorized by the Board of Legislators, which, among other things, requires the County to remediate the site. The EPA has approved the County's plan for remediation and the County

has hired a design consultant for the remediation. The County is in the process of obtaining the necessary permits.

*Integrated Systems Solutions Corporation ("ISSC"):* In September 1997, the County entered into a contract with ISSC for the provision of computer outsourcing services for a period of one year, as a consequence of the invalidity of an earlier contract between the County and ISSC. ISSC has asserted a claim against the County in the amount of \$8,625,830, allegedly based on contingent liability to subcontractors and suppliers and certain other unrecovered costs which ISSC expected to recover during the term of the original, long-term contract which was ruled invalid by the courts. The County and ISSC entered into non-binding arbitration and the arbitrator ruled that ISSC was entitled to \$7,549,000 of its claim. The County disagrees with this ruling, and as the arbitration was non-binding, the County has reserved all of its rights to dispute this ruling.

*DeLeonardis v. County of Westchester:* This action was commenced in the Supreme Court, Westchester County. Westchester Community College ("WCC") entered into a lease for real property located at 175 Gramatan Avenue, Mount Vernon, New York, from plaintiff for the purpose of operating a satellite campus. The lease agreement required the landlord to make certain construction renovations to the premises at WCC's expense, subject to a spending cap set by County local law (\$900,000). The plaintiff spent more money renovating the premises than was allocated for this project. Plaintiff demanded full reimbursement of his expenses, and the County has refused to pay any amount above that which was authorized by local law. Plaintiff has served the County with a summons and complaint seeking full reimbursement in the approximate amount of \$2,200,000 for his expenses relating to this transaction. The County intends to vigorously defend this claim for the excess over the agreed \$900,000 authorized for this transaction.

*Spano v. Novello:* In April, 2003, the County commenced an Article 78 proceeding in Albany County wherein it sought a Temporary Restraining Order against the State from taking \$7.3 million dollars from the County. The State claimed that these monies, which it classified as "Medicaid reimbursement" for services rendered between 1984 through 1992, were owed by the County because they were disallowed by the federal government. During the course of the litigation, the State admitted to the Court that it had overbilled the County approximately \$400,000, but nevertheless the State still believed it was entitled to the balance from the County. By a Decision/Order dated October 14, 2003, the Honorable Justice of the Supreme Court John G. Connor found in favor of the County when it disagreed with the State and determined that the State's action was arbitrary and capricious and lacked a rational basis. The State has filed a Notice of Appeal to the New York State Appellate Division, Third Department.

The Department of Risk Management has also reviewed the outstanding lawsuits and has determined that all claims, except those noted above, have been reviewed by

the various claims administrators and actuary and has indicated that the appropriate reserve has been established within the risk retention program included in the financial statements.

**Risk Management**

The County, in 1986, elected to self-insure its exposure for general negligence, auto and public officials liability losses and in 1989 included workers’ compensation as a self-insurance program. The County established self-insurance funds, pursuant to Sections 6n and 6j of General Municipal Law of the State of New York. The provisions of the law provide for unencumbered general liability reserve contributions not to exceed 1-2/3% of the respective operating budgets and a maximum accumulation of not more than 5% of such operating budgets. The County has retained an independent claims adjuster to evaluate general negligence liability claims. The County has also retained the services of an independent actuary to evaluate its loss history and provide data to be used in establishing ultimate losses to be incurred. The actuary has certified as to the adequacy of the amount accrued as of December 31, 2003 for claims arising from 1986 through 2003 occurrences.

**Leases and Commitments**

The County has commitments under leases for equipment and facilities at annual rentals totaling \$240,155,039 with various expiration dates to December 31, 2023. Annual required payments on existing leases are as follows:

2004	\$ 18,668,911
2005	17,966,430
2006	16,501,895
2007	15,255,789
2008	12,449,359
Thereafter	<u>159,312,655</u>
	<u>\$ 240,155,039</u>

On October 28, 1998, the County and the Dormitory Authority of the State of New York entered into a Lease Agreement for twenty-five years, through 2023. This Lease Agreement is for the renovation of the existing Richard J. Daronco Westchester County Courthouse, and construction of an adjacent annex. The net lease payments remaining total \$210,323,797 and are included above. The principal portion of the Courthouse lease, \$136,469,163, has been capitalized.

**Leases and Commitments—WCHCC**

WCHCC leases various equipment and facilities under operating leases expiring at various dates.

The following is a schedule by year of future minimum lease payments and sublease rental income under noncancellable operating leases as of December 31, 2003, that have initial or remaining lease terms in excess of one year:

<u>Year</u>	<u>Rent Expense</u>	<u>Rent Income</u>
2004	\$ 8,541,904	\$ 1,031,000
2005	7,628,461	1,031,000
2006	4,153,574	945,000
2007	857,245	—
2008	205,372	—

Total rental expense in 2003 for all operating leases was approximately \$6,183,000.

**WCHCC CONTINGENCIES**

The State Legislature adopted legislation which created WCHCC as a public benefit corporation of the State. A long-term lease and an operating agreement to transfer the facilities and operations to WCHCC had been developed with the County effective January 1, 1998. Subsequent to January 1, 1998, additional negotiations resulted in a Transition Agreement and an amended and restated lease agreement.

The restated and amended long-term lease represents a 60-year real property lease for land and facilities with options for extension. Base rent is calculated on a supplemental rent calculation based on a predetermined schedule. The long-term restated and amended lease covers all capital assets except for movable equipment, which was transferred to WCHCC.

The terms of the Transition Agreement commenced on January 1, 1998 and continue for a period of ten years, ending on December 31, 2007. Eighteen months prior to the expiration of the Transition Agreement, WCHCC can request the County to renew the Transition Agreement, but there is no obligation to do so. Either party may terminate the Transition Agreement for cause based upon a breach of any material provision thereof, by giving written notice to the breaching party not less than three months prior to the effective date of said contract.

The first amendment to the Transition Agreement (the Revised Agreement) was made on December 21, 1999. Originally, the Transition Agreement set forth County funding of WCHCC in various annual amounts to be paid on the third business day of each year from 1998 through 2005. The Revised Agreement provided for one lump-sum payment (the County Payment) in an amount equal to the sum of the unpaid obligations for the years 2000 through 2005, discounted to its present value. The discounted present value of the then-remaining Transition Agreement payments was \$89,400,000. In accordance with the Revised Agreement, the County Payment is being recognized in equal annual amounts of \$12,771,429 for the years 1999 through 2005 and is recognized as other revenue in the accompanying statements of revenues, expenses, and changes in net assets (deficit).



As part of this Transition Agreement, the County and WCHCC agreed that the continued financial strength of both parties is in their mutual best interest. Thereby, in accordance with Article VI of the Transition Agreement, the County will guarantee refinancing of existing indebtedness and capital program indebtedness. The Board of Legislators of the County has authorized the County to guarantee approximately \$157,565,000. As of December 31, 2003, the County has guaranteed \$146,930,000 of indebtedness issued in 2000 and 2002. The debt guaranteed by the County is subordinated to the Series 2000A Senior Lien bonds in the amount of \$113,240,000 which are not guaranteed by the County.

In addition, both the County and WCHCC acknowledge that it is necessary for WCHCC to obtain working capital funds in an amount sufficient to meet its cash flow requirements. The County agrees to provide credit support in the form of a contract to provide subsidies for purposes of obtaining a credit line or to otherwise provide a guarantee of WCHCC's payment obligation.

In conjunction with the Transition Agreement, WCHCC is required to maintain certain financial ratios. Section 20.4(a) of the Transition Agreement between the County and WCHCC requires that WCHCC achieve financial results for at least six (6) of the ten (10) Financial Measures defined in the Transition Agreement that are both (a) at least as favorable as the results achieved by the former operation of the Department of Hospitals for the fiscal year 1997 and (b) at least 75% as favorable as the results for the immediately preceding fiscal year.

Since December 31, 2001, WCHCC has failed the financial tests of the County covered in the Transition Agreement. In accordance with the Transition Agreement, based upon the failure to achieve the required financial results described in Section 20.4(a), WCHCC and the County were required to form a committee to select a consultant to advise on all aspects of the management of WCHCC and the businesses which WCHCC operates. Upon receipt of the consultant's report, WCHCC is required to follow the written recommendations of the consultant, provided such recommendations are consistent with all applicable laws and the mission statement and bylaws of WCHCC.

The Transition Agreement also states that WCHCC's failure to satisfy the Financial Measures set forth in Section 20.4(a) shall not be deemed a Financial Default or Nonfinancial Default under the Transition Agreement so long as WCHCC materially complies with all lawful written recommendations of the consultant.

A consultant was engaged by the Directors of WCHCC to provide recommended modifications to WCHCC's services, cost structure, staffing and delivery model. In management's opinion, WCHCC is currently complying with the consultant's recommendations.

WCHCC and the County have agreed that the County will provide credit support to WCHCC (absent of financial default) for the years ending December 31 as follows:

<b>Year:</b>		
2004	\$	85 million
2005		80 million
2006		75 million
2007		70 million

The County's credit support for 2003 was \$90 million, which was represented by a \$75 million commercial paper facility with Goldman Sachs and a \$9.9 million line of credit with the Bank of New York. If, during the period between the execution of the Transition Agreement and December 31, 2007, WCHCC experiences a material adverse change in its financial condition that is the direct result of one or more unforeseeable circumstances that are beyond WCHCC's ability to anticipate and effectively plan for, then the parties shall discuss an amendment to the Transition Agreement to reasonably increase the working capital amount for which the County shall provide credit support.

#### **Liquidity and Basis of Presentation**

At December 31, 2003, WCHCC had a working capital deficiency of \$105.9 million and an unrestricted net deficiency of \$176.3 million. Additionally, WCHCC continues to experience operating losses and has forecasted continuing operating losses throughout 2004.

In order to improve WCHCC's operating results, the Board of Directors has initiated changes in certain top management personnel and has engaged an outside consulting firm to provide leadership as well as develop and implement a financial improvement plan. The plan, which was approved by the Board on June 14, 2004, is expected to take 18 months to fully implement and is expected to result in operating improvements aggregating \$75 million. Specific initiatives are in the areas of service growth, improved billing and cost reduction, including contract renegotiations, and a work force reduction of approximately 125 positions.

While management believes these initiatives will achieve their desired results, there can be no assurance that such plans will be sufficient or timely enough to generate sufficient cash to meet its operating needs and achieve financial stability for WCHCC. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

#### **Affiliation Agreement**

WCHCC has an affiliation agreement with the New York Medical College which provides for the reimbursement to the College for salaries and fringe benefits for supervisory physicians. WCHCC reimbursed the College for the year ended December 31, 2003 approximately \$26,000,000.

## **Commitment and Contingencies**

WCHCC has agreements with third-party payors that provide for payments to WCHCC at amounts different from its established rates. A summary of the payment arrangements follows:

### **Reimbursement—Medicare**

Under the Medicare program, WCHCC receives reimbursement under a prospective payment system (PPS) for inpatient services. Under WCHCC's inpatient PPS, fixed payment amounts per inpatient discharge are established based on the patient's assigned diagnosis-related group (DRG). When the estimated cost of treatment for certain patients is higher than the average, providers typically will receive additional outlier payments. Effective August 1, 2000, a prospective outpatient system was adopted that provides for payment for outpatient services based on service groups called ambulatory payment classifications (APCs).

Effective January 1, 2002, the WCHCC's rehabilitative unit became subject to PPS based on the intensity of the services provided to the patient. Previously, rehabilitative units were reimbursed on a cost-based system, subject to certain cost limits.

WCHCC's psychiatric unit is currently reimbursed on a cost-based system, subject to certain cost limits, but it is anticipated that Medicare will transition this service to PPS in the future.

WCHCC has recorded revenues related to Medicare outliers of approximately 1% of net patient service revenue for the years ended December 31, 2003 and 2002. During 2003, the Centers for Medicare and Medicaid Services (CMS) published a final rule that substantially changed the methodology used to determine outlier payments. In addition, CMS annually changes the outlier cost threshold which affects the number of cases that qualify for outlier payments. Accordingly, there can be no assurances that WCHCC will continue to receive these levels of Medicare outlier payments in future periods.

### **Medicaid and Other Third-Party Payors**

The New York Health Care Reform Act of 2000 governs payments to hospitals in New York State through June 30, 2005. Under the New York Health Care Reform Act of 1996, as amended, Medicaid, workers' compensation, and no-fault payors pay rates promulgated by the New York State Department of Health. Fixed payment amounts per inpatient discharge are established based on the patient's assigned case mix intensity similar to a Medicare DRG. All other third-party payors, principally Blue Cross, other private insurance companies, Health Maintenance Organizations (HMOs), Preferred Provider Organizations (PPOs), and other managed care plans, negotiate payment rates directly with WCHCC. Such arrangements vary from DRG-based payment systems, per diems, case rates, and percentage of billed charges. If such

rates are not negotiated, then the payors are billed at WCHCC's established charges.

New York State regulations provide for the distribution of funds from an indigent care pool which is intended to partially offset the cost of services provided to the uninsured. The funds are distributed to the hospitals based on each hospital's level of bad debts in relation to all other hospitals. For both the years ended December 31, 2003 and 2002, WCHCC received distributions of \$8.7 million from the indigent care pool.

Both Federal and New York State regulations provide for certain adjustments to current and prior years' payment rates and indigent care pool distributions based on industry-wide and hospital-specific data. WCHCC has established estimates based on information presently available of the amounts due to or from Medicare, Medicaid, workers' compensation, and no-fault payors, and amounts due from the indigent care pool for such adjustments.

There are various proposals at the Federal and New York State levels that could, among other things, reduce reimbursement rates, modify reimbursement methods, and increase managed care penetration, including Medicare and Medicaid. The ultimate outcome of these proposals and other market changes cannot presently be determined.

Revenue from the Medicare and Medicaid programs accounted for approximately 30% and 28%, respectively, of WCHCC's net patient revenue for the year ended December 31, 2003 and 26% and 33%, respectively, for the year ended December 31, 2002. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by material amounts in the near term. WCHCC believes that it is in compliance, in all material respects, with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation. Noncompliance with such laws and regulations could result in repayments of amounts improperly reimbursed, substantial monetary fines, civil and criminal penalties, and exclusion from the Medicare and Medicaid programs.

### **Third-Party Reimbursement—Long-Term Care**

**Medicaid**—The Medicaid program provides for reimbursement to nursing homes on a prospective basis, with certain provisions for retroactive adjustments due to changes in the intensity of care provided to residents, as well as for adjustments resulting from audits by the third-party agency. Management believes that its final Medicaid rates will not be significantly different from those recorded in the accompanying financial statements. Operating costs relating to the 1983 base year were used to develop the payment rates for the 1986 to 2000 rate years. Beginning

in 1986, a significant portion of the Medicaid rate is developed based on a medical assessment of each resident. These assessments are conducted periodically and can result in revisions to the Medicaid rates.

WCHCC has been paid for the three-year period ended December 31, 2003 by the Medicaid program based upon an operating budget submitted to the New York State Department of Health. WCHCC will receive revised Medicaid rates based on the 2001 base year cost report. In the opinion of WCHCC's management, any adjustments resulting from the audit of the 2001 base year cost report will not have a material impact on the accompanying financial statements.

**Medicare**—Skilled nursing facilities in New York State are currently being reimbursed Medicare funds via PPS, which has been provided for under the Balanced

Budget Act of 1997 (BBA) and the Balanced Budget Refinement Act of 1999 (BBRA). The BBA provides facilities with a blended rate structure commencing in 1999 with a transition to a full Federal rate. The blended rate structure incorporated a portion of the facility-specific Medicare rate and the Federal rate for each of 44 different resource utilization groupings. WCHCC has been reimbursed under the full Federal rate for the years ended December 31, 2003 and 2002.

**Other**

Various suits and claims arising in the normal course of operations are pending. While the outcome of these suits cannot be determined at this time, management believes that such suits and claims are either specifically covered by insurance or are not material to WCHCC's overall financial position.

The following is the activity of estimated third party payor liabilities for the year ended December 31, 2003:

	<u>December 31 2002 balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31 2003 balance</u>	<u>Amounts due within 1 year</u>
Estimated third party payor	\$ 6,967,705	\$ 13,083,114	(\$6,602,673)	\$ 13,448,146	\$ 6,424,469

**Restricted Net Assets**

Restricted net assets are available for the following purposes at December 31:

	<u>2003</u>	<u>2002</u>
Children's Hospital at Westchester Medical Center	\$ 22,974,786	\$ 25,904,193
Other health care related services	5,137,893	5,472,745
	<u>\$ 28,112,679</u>	<u>\$ 31,376,938</u>

**OTHER CONTINGENCIES**

The County participates in numerous Federal grant programs, principal of which are programs of the Department of Health and Human Services. These programs are subject to program compliance audits pursuant to the Single Audit Act. This audit is currently in progress and the report will be issued under separate cover. Accordingly, the County's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The County anticipates such amounts, if any, to be immaterial.

The County has nine labor organizations which represent most of the County work force for collective bargaining purposes. The status of the various union contracts as of December 31, 2003 is as follows:

The New York State Nurses Association has a contract that expired on December 31, 2001;

The Westchester County Correction Officers Benevolent Association has a contract that expired on December 31, 2002;

The Westchester County Department of Correction Superior Officers Association has a contract that expired on December 31, 2002;

The Westchester Community College Federation of Teachers has a contract that expired on August 31, 2001;

The Westchester County Police Officers Benevolent Association, Inc. and The Westchester County Police Officers Benevolent Association, Superior Officers Unit are in negotiations for agreements to replace the contracts that expired on December 31, 2002;

The District Attorney Investigators PBA has a contract that expired on December 31, 2002;

The Civil Service Employees Association has a contract that expired on December 31, 2001;

The International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America, AFL-CIO, Local 456 representing administrators and managers, has a contract that expired on December 31, 2001.

All of the above contracts are in negotiation; the New York State Nurses Association's contract is in mediation.

## **NOTE 5**

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### **SUBSEQUENT EVENTS**

In February, 2004, the Board of Legislators enacted the contingency plan adopted by the Board of Legislators on January 7, 2004 as Resolution 2-2004. The effect of the adoption of the contingency plan was to reduce third party revenue appropriations by \$35,241,675, increase expenditure appropriations by \$6,313,299 and raise the property tax levy by \$41,554,974 to \$479,307,830 for the fiscal year 2004.

### **WCHCC**

- (a) In 2004, the Children's Hospital Foundation and the WMC Foundation transferred to the Medical Center approximately \$15 million and \$1.2 million, respectively, of the total equity contribution of \$27 million required to be raised by the Children's Hospital Foundation and the WMC Foundation to fund the building of the Maria Fareri Children's Hospital and Trauma Center.
- (b) In 2004, WCHCC amended the 2002 Medicaid cost report to properly reflect the classification of certain expenses and obtained approximately \$24.5 million in additional reimbursement under the Intergovernmental Grant Program (\$20.2 million) and the bad debt and charity care pool (\$4.3 million). WCHCC recognized approximately \$8.4 million of additional reimbursement in 2003 based on the submission of the revised 2002 cost report. Pursuant to a memorandum of understanding with the County, approximately \$16.1 million of the additional reimbursement was transferred to the County. Such amounts held by the County may, in the County's sole discretion, be utilized to provide financial aid and support to WCHCC in 2004 and future years. Such amounts will be recognized as other revenue when the County transfers such funds to WCHCC. Additionally, the County has agreed to defer collections of up to \$10 million of 2004 utility services provided to WCHCC by the County.

## COUNTY OF WESTCHESTER

Statement of Budgeted Revenues and Expenditures  
General Fund

	For the Years Ended		
	2004(a)	2003	2002
<b>REVENUES:</b>			
Tax Levy on Real Property.....	\$ 479,307,830	\$ 403,401,762	\$ 351,138,011
Sales Tax.....	311,021,474	271,000,000	263,300,000
Mortgage Tax.....	12,500,000	—	—
Hotel Tax.....	4,335,000	4,100,000	4,950,000
Auto Use Tax.....	11,215,000	4,600,000	4,865,000
	<u>818,379,304</u>	<u>683,101,762</u>	<u>624,253,011</u>
Federal Aid:			
Social Services .....	127,495,372	129,072,504	130,097,525
Other.....	901,777	2,387,008	5,994,906
	<u>128,397,149</u>	<u>131,459,512</u>	<u>136,092,431</u>
State Aid:			
Social Services.....	131,054,043	129,547,977	130,587,955
Other.....	109,825,587	109,127,242	110,897,801
	<u>240,879,630</u>	<u>238,675,219</u>	<u>241,485,756</u>
Charges for Services:			
Departmental Income.....	104,686,966	103,066,642	96,640,633
Earnings on Investments.....	2,710,000	3,000,000	5,000,000
Miscellaneous Revenues:			
Harness Racing Admissions Tax.....	5,000	8,500	11,500
Other.....	9,915,223	23,142,723	19,872,643
	<u>9,920,223</u>	<u>23,151,223</u>	<u>19,884,143</u>
Total Revenues.....	1,304,973,272	1,182,454,358	1,123,355,974
Other Financing Sources:			
Operating Transfers In.....	2,885,010	1,798,961	3,974,593
Bond Proceeds for WCHCC Loan.....	—	11,700,000	—
WCHCC Credit Support .....	85,000,000	90,000,000	95,000,000
Total Revenues and Other Financing Sources.....	<u>\$1,392,858,282</u>	<u>\$1,285,953,319</u>	<u>\$ 1,222,330,567</u>

(a) As amended through September 30, 2004.

**COUNTY OF WESTCHESTER**

**Statement of Budgeted Revenues and Expenditures  
General Fund**

<b>EXPENDITURES:</b>	<b>For the Years Ended</b>		
	<b>2004(a)</b>	<b>2003</b>	<b>2002</b>
Current:			
General Government.....	\$ 113,396,455	\$ 86,902,897	\$ 93,599,349
Education.....	133,345,461	127,204,485	113,675,243
Public Safety.....	188,120,211	181,853,921	187,491,189
Health.....	47,951,744	50,886,081	58,226,500
Transportation.....	76,158,883	74,922,619	74,292,351
Economic Assistance and Opportunity.....	534,541,243	498,531,758	486,465,576
Culture and Recreation.....	42,676,381	39,903,369	41,423,701
Home and Community Services.....	3,616,638	3,002,827	3,809,054
Employee Benefits.....	137,473,311	111,246,971	89,627,816
Capital Outlay.....	783,307	974,752	2,286,315
Debt Service.....	68,022,698	70,444,764	65,598,398
Total Expenditures.....	<u>1,346,086,332</u>	<u>1,245,874,444</u>	<u>1,216,495,492</u>
Other Financing Uses:			
Operating Transfers Out.....	2,587,657	3,449,737	3,761,860
WCHCC Credit Support.....	85,000,000	90,000,000	84,109,120
Total Expenditures and Other Financing Uses.....	<u>1,433,673,989</u>	<u>1,339,324,181</u>	<u>1,304,366,472</u>
Deficiency of Revenues and Other Financing Sources			
Over Expenditures and Other Financing Uses.....	(40,815,707)	(53,370,862)	(82,035,905)
Appropriated Fund Balance.....	40,815,707	53,370,862	82,035,905
Net Budgeted Revenues and Expenditures.....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

(a) As amended through September 30, 2004.

**COUNTY OF WESTCHESTER**

**Statement of Budgeted Revenues and Expenditures  
Airport Fund**

	<b>For the Years Ended</b>		
	<u>2004 (a)</u>	<u>2003</u>	<u>2002</u>
<b>REVENUES:</b>			
Departmental Income.....	\$ 29,065,530	\$ 29,663,448	\$ 29,056,870
Earnings on Investments.....	<u>200,000</u>	<u>150,000</u>	<u>100,000</u>
Total Revenues.....	29,265,530	29,813,448	29,156,870
Other Financing Sources:			
Operating Transfers In.....	<u>1,268,386</u>	<u>1,315,354</u>	<u>283,815</u>
Total Revenues and Other Financing Sources.....	<u>30,533,916</u>	<u>31,128,802</u>	<u>29,440,685</u>
<b>EXPENDITURES:</b>			
Current:			
Transportation.....	24,772,498	24,211,031	25,532,089
Employee Benefits.....	1,990,907	1,867,949	1,865,776
Capital Outlay.....	1,106,987	1,485,898	1,992,916
Debt Service.....	<u>2,905,800</u>	<u>3,061,811</u>	<u>3,116,269</u>
Total Expenditures.....	30,776,192	30,626,689	32,507,050
Other Financing Uses:			
Operating Transfers Out.....	<u>690,625</u>	<u>1,225,000</u>	<u>130,000</u>
Total Expenditures and Other Financing Uses.....	<u>31,466,817</u>	<u>31,851,689</u>	<u>32,637,050</u>
Deficiency of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses.....			
	(932,901)	(722,887)	(3,196,365)
Appropriated Fund Balance.....	<u>932,901</u>	<u>722,887</u>	<u>3,196,365</u>
Net Budgeted Revenues and Expenditures.....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

(a) As amended through September 30, 2004.

**COUNTY OF WESTCHESTER**

**Statement of Budgeted Revenues and Expenditures  
Westchester Community College**

	<b>For the Fiscal Years Ended</b>		
	<u>August 31, 2005 (a)</u>	<u>August 31, 2004</u>	<u>August 31, 2003</u>
<b>REVENUES:</b>			
State Aid.....	\$ 15,695,060	\$ 15,538,000	\$ 16,628,921
Charges for Services.....	28,595,000	24,057,000	22,179,170
Earnings on Investments.....	600,000	700,000	1,000,000
	<hr/>	<hr/>	<hr/>
Total Revenues.....	44,890,060	40,295,000	39,808,091
Other Financing Sources:			
Operating Transfers In .....	19,061,395	18,112,393	17,914,486
	<hr/>	<hr/>	<hr/>
Total Revenues and Other Financing Sources.....	63,951,455	58,407,393	57,722,577
	<hr/>	<hr/>	<hr/>
<b>EXPENDITURES:</b>			
Education.....	49,406,455	45,834,350	47,493,974
Employee Benefits.....	13,943,000	11,170,000	10,156,000
Capital Outlay.....	250,000	225,000	207,000
Debt Service.....	1,777,000	1,840,967	1,790,603
	<hr/>	<hr/>	<hr/>
Total Expenditures.....	65,376,455	59,070,317	59,647,577
Other Financing Uses:			
Operating Transfers Out.....	75,000	75,000	75,000
	<hr/>	<hr/>	<hr/>
Total Expenditures and Other Financing Uses.....	65,451,455	59,145,317	59,722,577
	<hr/>	<hr/>	<hr/>
Deficiency of Revenues and Other Financing Sources			
Over Expenditures and Other Financing Sources.....	(1,500,000)	(737,924)	(2,000,000)
Appropriated Fund Balance.....	\$ 1,500,000	\$ 737,924	\$ 2,000,000
	<hr/>	<hr/>	<hr/>
Net Budgeted Revenues and Expenditures.....	\$ —	\$ —	\$ —
	<hr/>	<hr/>	<hr/>

(a) As adopted



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# Westchester County

## Schedule of Revenues, Expenditures and Changes in Fund Balance—General Fund

	Year Ended December 31,				
	2003	2002	2001	2000	1999
<b>REVENUES:</b>					
Taxes on Real Property.....	\$ 403,401,762	\$ 351,138,011	\$ 338,325,430	\$ 356,716,080	\$ 363,158,394
Sales Tax.....	271,098,315	265,233,848	256,836,556	257,025,353	235,872,287
	674,500,077	616,371,859	595,161,986	613,741,433	599,030,681
Federal Aid:					
Social Services.....	134,652,404	145,936,049	133,380,732	116,340,774	112,268,844
Other.....	891,875	2,213,217	5,562,086	192,771	1,180,645
	135,544,279	148,149,266	138,942,818	116,533,545	113,449,489
State Aid:					
Social Services.....	143,451,438	122,727,885	120,686,598	114,871,785	116,669,767
Other.....	115,563,570	110,425,022	104,340,103	93,499,736	84,225,032
	259,015,008	233,152,907	225,026,701	208,371,521	200,894,799
Departmental Income.....	93,067,863	96,479,020	93,779,967	90,926,542	90,126,276
Earnings on Investments.....	2,108,900	4,047,800	8,996,603	10,587,780	7,996,386
Miscellaneous Revenues:					
Auto Use Tax.....	4,988,152	4,600,926	4,971,743	4,572,193	4,389,278
Harness Racing Admissions Tax.....	7,039	8,790	8,684	11,551	11,525
Hotel Tax.....	4,207,246	4,264,648	4,672,457	4,861,878	4,253,676
Tobacco Revenue Settlement.....	13,411,471	16,159,957	15,355,261	13,108,069	6,069,224
Sale of Tobacco Rights.....	—	—	—	—	89,400,000
WCHCC Rent.....	—	—	—	2,210,514	12,824,893
Other.....	7,312,669	8,763,736	5,528,537	5,288,288	6,382,595
	29,926,577	33,798,057	30,536,682	30,052,493	123,331,191
Total Revenues.....	1,194,162,704	1,131,998,909	1,092,444,757	1,070,213,314	1,134,828,822
<b>OTHER FINANCING SOURCES:</b>					
Bond and Note Proceeds	22,420,000	19,835,000	—	—	—
Proceeds from WCHCC to Refund Outstanding Debt.....	—	—	—	31,719,530	—
Transfers In.....	1,798,961	5,271,446	3,369,632	5,439,452	4,723,822
Total Revenues and Other Financing Sources .....	1,218,381,665	1,157,105,355	1,095,814,389	1,107,372,296	1,139,552,644
<b>EXPENDITURES:</b>					
Current:					
General Government.....	78,235,627	79,331,428	73,983,815	80,454,218	78,141,969
Education.....	123,145,638	111,140,087	91,518,505	74,021,785	59,173,782
Public Safety.....	176,300,895	178,914,215	172,411,167	159,700,606	148,088,010
Health.....	46,026,639	52,666,785	45,062,873	45,804,314	131,058,922
Transportation.....	72,672,525	71,751,015	67,034,742	61,804,337	61,450,751
Economic Assistance and Opportunity.....	487,346,905	481,879,561	441,760,310	424,466,294	418,514,225
Culture and Recreation.....	38,270,883	38,933,756	38,473,525	34,084,734	30,823,616
Home and Community Services.....	2,702,199	3,105,220	3,025,951	2,545,549	2,070,880
Employee Benefits.....	105,008,848	85,269,248	83,595,974	79,410,064	74,954,710
Capital Outlay.....	845,278	1,824,920	2,119,712	1,204,397	1,350,226
Debt Service.....	70,238,997	65,120,248	60,987,908	62,259,120	72,723,684
Total Expenditures.....	1,200,794,434	1,169,936,475	1,079,974,490	1,025,755,418	1,078,350,775
<b>OTHER FINANCING USES:</b>					
Payment to Refunded Bond Escrow Agent .....	—	—	—	31,719,530	—
Transfers Out.....	3,300,262	3,639,598	4,504,218	4,111,471	5,173,789
Transfers Out—Component Unit.....	—	—	14,871,000	14,071,000	13,845,300
Total Other Financing Uses.....	3,300,262	3,639,598	19,375,218	49,902,001	19,019,089
Total Expenditures and Other Financing Uses.....	1,204,094,696	1,173,576,073	1,099,349,708	1,075,657,419	1,097,369,864
Net Change in Fund Balance	14,286,969	(16,470,718)	(3,535,319)	31,714,877	42,182,780
Fund Balance—Beginning of Year.....	124,770,245	141,240,963	138,934,580	107,219,703	65,036,923
Restatement.....	—	—	4,379,221	—	—
Fund Balance—Beginning of Year as Restated	124,770,245	141,240,963	143,313,801	107,219,703	65,036,923
Residual Equity Transfer.....	—	—	1,462,481	—	—
Fund Balance—End of Year.....	\$ 139,057,214	\$ 124,770,245	\$ 141,240,963	\$ 138,934,580	\$ 107,219,703

**APPENDIX C**

	<b>1998</b>	<b>1997</b>	<b>1996</b>	<b>1995</b>	<b>1994</b>
\$	365,551,737	\$ 347,547,647	\$ 353,796,361	\$ 349,176,870	\$ 337,751,048
	213,547,959	213,507,365	200,472,936	184,786,158	179,115,347
	579,099,696	561,055,012	554,269,297	533,963,028	516,866,395
	114,877,275	138,875,799	122,886,637	132,684,282	141,197,708
	5,661,101	4,839,776	3,189,999	1,535,151	1,759,105
	120,538,376	143,715,575	126,076,636	134,219,433	142,956,813
	100,328,512	94,051,746	99,337,778	106,500,433	109,660,567
	70,530,318	65,351,114	61,316,655	60,356,589	50,753,389
	170,858,830	159,402,860	160,654,433	166,857,022	160,413,956
	77,863,074	86,410,852	77,991,570	77,057,332	78,496,910
	7,600,752	7,659,574	6,722,927	5,209,003	4,929,058
	4,245,639	4,172,027	3,972,223	3,986,624	3,775,492
	14,553	14,972	18,286	22,378	29,112
	4,025,247	3,632,775	3,176,535	2,957,896	2,669,862
	—	—	—	—	—
	—	—	—	—	—
	15,578,426	—	—	—	—
	4,874,194	6,264,391	4,364,820	6,169,368	4,982,860
	28,738,059	14,084,165	11,531,864	13,136,266	11,457,326
	984,698,787	972,328,038	937,246,727	930,442,084	915,120,458
	—	—	—	—	—
	—	—	—	—	—
	5,850,099	4,689,724	5,154,313	3,301,202	6,784,728
	990,548,886	977,017,762	942,401,040	933,743,286	921,905,186
	76,364,070	63,299,047	64,355,145	65,571,015	67,717,468
	61,820,644	54,663,352	48,813,408	46,496,065	32,032,058
	136,796,081	129,345,965	122,073,086	133,233,987	134,438,219
	36,753,855	34,371,838	32,236,104	33,558,191	32,600,834
	59,454,628	71,332,526	67,502,978	70,054,360	68,662,729
	396,288,974	390,001,040	400,835,857	416,676,408	427,517,431
	28,964,602	26,798,164	26,260,906	26,438,190	24,597,477
	1,995,734	2,058,772	1,835,433	2,027,777	2,161,954
	62,308,295	65,294,078	61,678,692	54,898,443	50,368,426
	2,270,128	1,569,042	1,969,918	1,330,940	2,784,749
	73,486,876	59,479,424	58,810,500	54,852,339	50,614,827
	936,503,891	898,213,252	886,372,027	905,137,715	893,496,172
	—	—	—	—	—
	5,922,377	51,090,746	27,778,189	27,602,012	28,798,281
	44,331,602	13,658,300	13,393,300	13,560,300	12,798,833
	50,253,979	64,749,046	41,171,489	41,162,312	41,597,114
	986,757,870	962,962,298	927,543,516	946,300,027	935,093,286
	3,791,016	14,055,464	14,857,524	(12,556,741)	(13,188,100)
	68,740,021	54,684,557	39,827,033	52,383,774	65,571,874
	—	—	—	—	—
	68,740,021	54,684,557	39,827,033	52,383,774	65,571,874
	(7,494,114)	—	—	—	—
\$	65,036,923	\$ 68,740,021	\$ 54,684,557	\$ 39,827,033	\$ 52,383,774

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