

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

NEW ISSUE

SERIAL BONDS

In the opinion of Hawkins Delafield & Wood, 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 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 cities of New York and Yonkers. See also "Tax Matters" herein.

\$119,350,000

COUNTY OF WESTCHESTER, NEW YORK

\$99,515,000 GENERAL OBLIGATION SERIAL BONDS — 2002 SERIES E

\$19,835,000 GENERAL OBLIGATION SERIAL BONDS — 2002 SERIES F (WCHCC CAPITAL PROJECT BONDS)

Dated: December 18, 2002

Due: December 15, as shown inside front cover

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 June 15, 2003, December 15, 2003 and semi-annually thereafter on June 15 and December 15 in each year until maturity or prior redemption. The Bonds maturing in the years 2003 through 2010 are not subject to redemption prior to maturity. The Bonds maturing on or after December 15, 2011 will be subject to redemption prior to maturity as described herein.

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 opinions of Hawkins Delafield & Wood, 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 December 18, 2002 in New York, New York.

Dated: December 11, 2002

MATURITY SCHEDULES FOR THE 2002 BONDS

\$99,515,000 Series E

<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>
\$7,935,000	2003	2.500%	1.140%	\$5,150,000	2013	3.750%	3.850%
7,930,000	2004	2.500	1.590	5,130,000	2014	4.000	4.000
7,600,000	2005	2.500	1.750	5,035,000	2015	4.000	4.100
7,520,000	2006	3.000	2.130	4,840,000	2016	4.125	4.200
7,465,000	2007	3.000	2.500	4,830,000	2017	4.125	4.300
5,605,000	2008	3.000	2.850	3,420,000	2018	4.250	4.400
5,580,000	2009	3.000	3.130	3,360,000	2019	4.375	4.450
5,580,000	2010	3.250	3.380	565,000	2020	4.375	4.500
5,430,000	2011	3.500	3.600	565,000	2021	4.500	4.550
5,410,000	2012	3.625	3.700	565,000	2022	4.500	4.600

\$19,835,000 Series F (WCHCC CAPITAL PROJECT BONDS)

<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>
\$1,140,000	2004	3.000%	1.590%	\$1,415,000	2011	3.500%	3.600%
1,175,000	2005	3.000	1.750	1,465,000	2012	3.625	3.700
1,210,000	2006	3.000	2.130	1,520,000	2013	3.750	3.850
1,245,000	2007	3.250	2.500	1,575,000	2014	4.000	4.000
1,285,000	2008	3.250	2.850	1,640,000	2015	4.000	4.100
1,325,000	2009	3.250	3.130	1,700,000	2016	4.125	4.200
1,370,000	2010	3.250	3.380	1,770,000	2017	4.250	4.300

WESTCHESTER COUNTY, NEW YORK

OFFICIAL ROSTER

COUNTY EXECUTIVE

Andrew J. Spano

COUNTY BOARD OF LEGISLATORS

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Richard G. Wishnie
Clinton I. Young, Jr.

APPOINTED OFFICIALS

DEPUTY COUNTY EXECUTIVE

Lawrence S. Schwartz (Acting)

COMMISSIONER OF FINANCE

Peter P. Pucillo

COUNTY ATTORNEY

Charlene M. Indelicato

BUDGET DIRECTOR

Kathleen M. Carrano

BOND COUNSEL

Hawkins Delafield & Wood
New York, New York

AUDITORS

Bennett Kielson Storch DeSantis & Company LLP
White Plains, New York

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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, mandatory sinking fund redemptions 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 on a prescribed basis of accounting that demonstrates compliance with the budgetary provisions of the County of Westchester, New York, which is a comprehensive basis of accounting other than generally accepted accounting principles (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”, “PERSONAL INCOME”, “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.

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 \$99,515,000 General Obligation Serial Bonds—2002E and \$19,835,000 General Obligation Serial Bonds—2002F (WCHCC-Capital Project Bonds)(collectively, "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:

Amount

Project

THE 2002E BONDS (COUNTY)

\$ 47,500,000	Housing replacement at County Jail
24,949,000	Infrastructure improvements, renovations and modernization of various County buildings and facilities
11,217,000	Rehabilitation, repair and reconstruction of various County roads and bridges
5,175,000	Rehabilitation, infrastructure improvements and expansion of various County parks and golf courses
2,639,000	Acquisition of buses and paratransit vehicles and construction of bus mini terminals
2,518,000	Ride acquisition, infrastructure recondition and reconstruction of Playland
2,417,000	Acquisition of equipment and enhancements of the Department of Information Technology
2,000,000	Library expansion and satellite improvements to Westchester Community College
<u>1,100,000</u>	Replacement of water supply system and acquisition of heavy equipment at the Airport
<u>\$ 99,515,000</u>	

THE 2002F BONDS (WCHCC)

\$ 1,213,000	2001 Information Technology Program
7,235,300	2001 Facilities Management Program
2,300,000	2002 Information Technology Program
2,532,600	2002 Facilities Management Program
6,349,100	2002 Building Program Renovations
<u>205,000</u>	2002 Taylor Care Center Improvements
<u>\$ 19,835,000</u>	

The Bonds will be sold to the Purchasers at par plus accrued interest from December 18, 2002, plus a premium, if any. (See "Market Factors.")

Nature of Obligation

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

The Bonds will be general obligations of the County and will contain a pledge of the faith and credit of the County for the payment of the principal 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, certain acts and proceedings of the County Board of Legislators and Bond Acts adopted on their respective dates and thereafter approved by the County Executive. (See "County Indebtedness" for additional information.)

Description of the Bonds

The Bonds are dated December 18, 2002, and will mature in the principal amounts on December 15 in each of the years as shown on the inside 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 June 15, 2003, December 15, 2003 and semi-annually on June 15 and December 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

The Bonds maturing in the years 2003 through 2010 are not subject to prior redemption.

The Bonds maturing on or after December 15, 2011 will be subject to redemption prior to maturity at the option of the County on December 15, 2010 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

The ownership of one fully registered Bond for each maturity of each series as set forth on the inside cover page hereof, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. Each such Bond will be deposited with DTC to be held in trust until maturity. DTC is a limited-purpose trust company organized under the laws of the State of New York, 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, as amended. DTC was created to hold securities of its participants (the "Participants") and to facilitate the clearance and settlement of securities transactions among Participants in such securities through electronic book-entry changes in accounts of the Participants, thereby eliminating the need for physical movement of securities certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom (and/or their representatives) own DTC. Access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (the "Indirect Participants").

Purchases of ownership interests in the Bonds may be made by or through a Participant. Such ownership interests will be recorded through the records of the Participant, whose interest will be recorded on a computerized book-entry system operated and maintained by DTC. Each purchaser of the Bonds (the "Beneficial Owner") is expected to receive a written confirmation of its purchase which provides certain details concerning the Bonds acquired. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds, except as provided below. Transfers of ownership interests will also be accomplished by book entries made by DTC and, in turn, by the Participants who act on behalf of the Indirect Participants and the Beneficial Owners.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bondowners or registered owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

Payment of principal and interest on the Bonds will be made to DTC or its nominee, Cede & Co. as registered owner of the Bonds. Upon receipt of moneys, DTC's current practice is to immediately credit the accounts of the Participants in accordance with their respective holdings shown on the records of DTC. Payments by Participants and Indirect Participants to Beneficial Owners shall be governed by standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant or Indirect Participant and not of DTC or the County, subject to any statutory and regulatory requirements as may be in effect from time to time.

The County will recognize DTC or its nominee as the Bondholder for all purposes, including notices. Conveyance of notices and other communications by DTC to Participants, by Participants to Indirect Participants, and by Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory and regulatory requirements as may be in effect from time to time.

In the event that (a) DTC determines to discontinue providing its service with respect to the Bonds by giving notice to the County and discharging its responsibilities with respect thereto under applicable law, and the County fails to appoint a successor securities depository for the Bonds, or (b) the County determines to discontinue the system of book-entry transfers through DTC (or a successor securities depository), then bond certificates are required to be delivered. The Beneficial Owner, upon registration of certificates held in the Beneficial Owner's name, will become the registered owner of the Bonds.

Unless otherwise noted, the information contained in the preceding paragraphs of this sub-section "Book Entry Only System" has been extracted from information given by DTC. The County makes no representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

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 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 5.6% 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 \$50.2 billion in 2000. The County's 2000 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, 2002, Westchester's per capita personal income of \$54,277 as of 2000 placed it 10th 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 2000 per capita personal income of \$54,277 compared favorably to New York State and the U.S., which were \$34,689 and \$29,469, respectively.

Economy

From 1985 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 1985 through 2001 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, 1985-2002 (a)
(Employment Figures in Thousands)

	Westchester (b)		New York State		United States	
	Employment	Unemployment Rate	Employment	Unemployment Rate	Employment	Unemployment Rate
1985	446.0	3.7%	7,765	6.5%	107,150	7.2%
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
1997	431.2	3.7	8,276	6.4	129,558	4.9
1998	433.0	3.3	8,391	5.6	131,463	4.5
1999	432.0	3.4	8,423	5.2	133,488	4.2
2000	432.4	3.0	8,533	4.6	135,208	4.0
2001	428.3	3.5	8,402	4.9	135,073	4.8
2002 (October).....	436.4	3.7	8,475	5.6	135,237	5.3

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

(a) Annual averages (except 2002).

(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 2001

	Westchester	New York State	United States
Manufacturing	8.7%	9.8%	13.4%
Transportation & Utilities	5.3	5.0	5.3
Trade	21.2	20.1	23.1
Finance, Ins. & Real Estate	6.3	8.6	5.8
Services and Miscellaneous	37.2	35.5	31.0
Government.....	15.3	17.1	15.8
Construction & Mining	6.0	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
1985 - 2002 (a)
(Figures in 000's)

	Total Non- Agricul. (b)	Manuf.	Trans. & Util.	Trade	Fin., Ins., Real Estate	Svce. & Misc.	Govt.	Constr. and Mining
1985.....	393.0	69.4	20.6	94.3	23.9	107.6	54.9	22.3
1990.....	406.7	56.1	20.8	90.9	29.9	127.6	58.4	23.1
1995.....	379.3	41.2	19.4	85.7	26.1	131.3	58.6	17.0
1997.....	389.5	38.5	20.0	84.9	26.7	141.7	59.1	18.7
1998.....	396.0	37.5	20.5	86.2	26.9	145.0	59.8	20.1
1999.....	407.5	36.5	20.8	87.9	27.6	151.2	60.4	23.0
2000.....	414.7	36.2	20.8	89.6	26.6	152.4	64.6	24.6
2001.....	421.4	36.6	22.4	89.1	26.5	156.9	64.5	25.4
2002 (October).....	426.3	35.2	22.9	89.9	26.1	160.0	65.5	26.7

Source: New York State Department of Labor.

(a) Annual averages (except 2002).

(b) Totals may not add because of rounding.

In 2001, fewer than half of the approximately 36,600 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. The largest concentrations of production workers were in the electrical machinery, non-electrical machinery, food processing and printing industries.

Approximately 91 percent of the wage and salary jobs in the County in 2001 were with firms whose major activity was other than manufacturing. Non-manufacturing employment increased by 6,200 from the previous year to 384,800. During the period 1985-2001, employment in the manufacturing sector declined 47 percent, while employment in all other sectors increased. The sectors realizing the most significant gains were service and miscellaneous, 46 percent, government, 17 percent, and construction, 14 percent.

A relatively large proportion of the County's employed residents are in managerial and professional positions. In 2000, 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 428,000 County residents employed in 2001. 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.

The County continues to be a prime location for businesses of all sizes over the past several years. In the past two years, many major corporations have expanded in, or are relocating to, Westchester. Notable among these companies are: Morgan Stanley, Fuji Photo Film USA Headquarters, Pernod Ricard USA, Sanford Bernstein, Skadden Arps, MasterCard International, Philips Electronics, Oracle, Davis Polk and Wardwell, MBIA, Pepsi Bottling Group Headquarters, Taro Pharmaceuticals USA, Allied Irish Bank, Commerzbank International, Pentegra Group and Boise and Schiller.

In 2002, economic development continues at a strong pace despite a weak economy. New construction is scheduled for several major retail, residential and entertainment projects. Construction of the White Plains City Center at Mamaroneck Avenue and Main Street is in progress; this 495,000 square-foot retail-movie-apartment complex is on the site of the former Macy's department store. The new center will be home to a 15-screen movie theater, a community theater, retail and restaurants, a loft building, and two high-rise buildings containing 600 units of residential housing. The first phase of the project, a 310-unit rental building, a 40-unit loft building, and the retail, theater and movie space, is estimated for completion in Fall 2003. The same developer has also proposed a 35-story hotel-condominium project across the street on Main Street and a 28-story office building on Hamilton Avenue. Construction is expected to begin within a year. Clayton Park Development at Canfield Avenue and Main

Street is nearing completion and will be the City's first residential housing project in the downtown area since 1988. The project will add 261 units of residential housing in the area. The Bank Street Commons project located next to the White Plains TransCenter began construction in the summer 2001. The project will include two towers containing 500 units of residential housing. Structural construction of the first tower is complete, with the second tower nearing completion. 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 on hold. Also in New Rochelle, the long-vacant Bloomingdale's department store on Main Street is being converted into a 72-unit condominium lofts building with 23,000 square feet of ground floor and basement retail and restaurants. The project includes another 12,000 square-feet of adjacent retail space and is expected to be completed in Spring 2003. The developer of the New Roc City complex in New Rochelle has proposed a 320,000 square-foot mixed-use building which would consist of office space, an extended-stay hotel and condominiums. Also in New Rochelle, an Intermodal Transportation Center is under construction at North Avenue and Depot Place. This regional transportation hub will include a 920-space parking garage as well as 4,150 square feet of retail space. In Yonkers, the City has proposed a 6,500-seat downtown ballpark for minor-league baseball with 120,000 square feet of retail and commercial space.

TABLE 5
Major Private Sector Employers in Westchester County (2002)

<u>Firms</u>	<u>Business Activity</u>	<u>Full-Time Employees</u>
* IBM Corporation	Computer products and research services	8,325
* Verizon Communications	Telecommunications and information products	3,075
* Philip Morris Company	Food products and research	1,730
* Pepsico, Inc.	Soft drinks and snack foods	1,663
* Entergy Nuclear Northeast.....	Generates and sells electricity wholesale	1,631
Consolidated Edison Company.....	Utility services	1,500
The Bank of New York.....	Commercial and retail banking	1,294
* MasterCard International.....	Financial services	1,004
* Reader's Digest Association	Book and magazine publishing	910
* Liberty Lines	Bus transportation	880
A & P Food Stores.....	Retail grocery sales	861
* A T & T	Telecommunications, data and network operations	800
* Bayer Corp.	Medical diagnostic equipment	790
The Journal News	News publications	771
* MCI Worldcom.....	Telecommunication services	716
* Swiss Re America.....	Property/casualty reinsurance, financial services	694
Marriott Corporation.....	Lodging and food services	646
Home Depot.....	Home improvement retailer	594
Michael Anthony Jewelers, Inc.. ..	Jewelry manufacturing	504
* Diversified Investment Advisors, Inc. .	Investment management services	500

* Headquarters or major branch operations in Westchester.

Compilation by: Westchester County Department of Finance, September, 2002

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, Lord and Taylor, Macy's, Neiman Marcus, Nordstrom, and Sears.

The County is continuing to experience strong growth in retail activity. In Mount Vernon, construction has begun on a 60,000 square-foot Best Buy electronics store on Sanford Boulevard. The second phase of the project, which will include a Target store, and a Bed Bath and Beyond is expected to begin next year. In the City of White Plains, a 75,000 square-foot Super Stop & Shop Supermarket is under construction at Kensico and Westchester Avenue; the store is expected to be completed this winter. Fortunoff has been making rapid progress toward an Fall 2003 opening at the former Saks Fifth Avenue site on Bloomingdale Road. The site will include the

\$50 million, 180,000 square-foot two-level store as well as an additional 85,000 square feet for other retail stores and restaurants. In the Village of Port Chester, a 140,000 square-foot Price Costco membership warehouse opened in the summer of 2002 as part of the marina waterfront project. Other stores in the development plan, including a Bed Bath and Beyond, a Super Stop & Shop as well as a 3,600-seat multi-screen movie theater are expected to begin construction next year. In Yorktown, the Jefferson Valley Mall's Macy's department store is expanding by 60,106 square feet. In Greenburgh, Gourmet Garage, a specialty food store, opened a 25,000 square-foot store earlier this year. Another gourmet store, Trader Joe's, is also expected to open in the Westchester Square Shopping Center as part of the center's 13,000 square-foot expansion. In the City of Yonkers, a 35,000 square-foot PC Richard and Son electronics store is under construction.

These developments in retail 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 over 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 American Port Services, Inc. It is located close to the intersection of three interstate highways. The Airport provides direct commercial service to Albany, Atlanta, Baltimore, Binghamton, Boston, Burlington, Chicago, Cincinnati, Cleveland, Detroit, Martha's Vineyard, Minneapolis, Philadelphia, Pittsburgh, Portland, Raleigh-Durham, Rochester, Syracuse, Toronto and Washington D.C. and houses numerous corporate and privately owned aircraft. There were approximately 184,950 operations at the Airport in 2001.

Utility Services

Except for its northeastern portion, the County of Westchester (the "County") receives electrical service from Consolidated Edison of New York ("Con Ed"). Environmental restrictions on the types of fuel which can be burned have caused electrical power costs in the County, as in the entire Con Edison region, to remain relatively high. These continued 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 on

an interim basis, pending final regulatory approval, 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 three 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 and will be operated by 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.

Most of the County's population resides in one or another of the County's thirteen sewer districts financed principally by property taxes raised within each district. Although most of the County's population lives within sewer areas, more than half of the land area of the County is unsewered. Sewage treatment is provided by County, municipal and in a few areas privately owned treatment plants. A moratorium on the approval of plans for the extension of sewer lines tributary to the Yonkers Joint Wastewater Treatment Plant ("YJWTP") was imposed by the New York State Department of Environmental Conservation ("NYSDEC") on November 18, 1987. On May 25, 1990, this moratorium was lifted by the NYSDEC contingent upon the County signing a stipulation on water quality issues raised in an administrative hearing on a County application to amend its YJWTP State Pollution Discharge Elimination System ("SPDES") permit and upon the execution of an order on consent resolving a violation of that permit's conditions on bypass discharges. The stipulation obligated the County to, among other things, evaluate the local sewers systems owned by its municipalities to determine the extent of repairs necessary to reduce extraneous storm water and ground water that is entering the sewer systems which discharge into the YJWTP. The County is further obligated to take action to enforce its local sewer ordinance to compel any necessary repairs by its municipalities, if those repairs are not made voluntarily. Pursuant to an order on consent, the County prepared a plan and is implementing flow reduction, paid a \$50,000 fine and made a \$50,000 donation to an environmental credit project to improve access to the Hudson River.

An application during the YJWTP SPDES permit hearing by a local neighborhood association to make the permit amendment contingent on covering the YJWTP's open tanks and channels and the installation of odor control systems has not been decided yet. In an interim decision issued by NYSDEC on February 4, 1991, the hearing record was ordered to remain open until the County conducted a study on the extent and severity of odors at the YJWTP, under normal as well as high conditions of flow. The study was completed and the results were submitted in the Spring of 1992. The study made certain recommendations to abate odors at the plant and many of these are being implemented. Because of low flow conditions during the study period, high flow could not be evaluated. NYSDEC and the hearing officer have concluded that the study was acceptable because the County was installing equipment that would continually monitor odor under all conditions of flow.

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 design of the required rehabilitation is complete. The County has bid out the contracts for the required rehabilitation. Work under these contracts is now nearing completion and is expected to be completed on time in accordance with the Order on Consent.

The inflow and infiltration repair and removal work, and the construction of the SSOs, will enhance the integrity of the County's sewer systems, and significantly reduce the potential for overflow of sewage treatment plants and consequently, the discharge of partially treated sewage to the Hudson River and the Long Island Sound. It will also protect the treatment plants from being damaged by conditions resulting from overflows, and avoid the immediate need to expand the plants. The total estimated cost of all inflow and infiltration removal work and the construction of the SSO facilities is fifty million dollars (\$50,000,000), all of which is expected to be funded by bond issues between 2001 and 2004. All costs associated with this work will ultimately be allocated to the County sewer district in which the work is to be performed.

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 \$80,030,000 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 will be 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 \$37,850,000, 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 \$1.3 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. Serial 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 November 16, 2002

Five year average full valuation of taxable real property	\$ 74,204,422,001
Debt limit (7% thereof)	<u>5,194,309,540</u>
Outstanding indebtedness:	
Bonds	503,780,956 (a)
Bond Anticipation Notes	<u>117,984,156 (b)</u>
Total Bonds and Notes	<u>621,765,112</u>
Less Exclusions:	
2002 Debt Service Appropriations (Principal only) Non-District	5,783,458
2002 Debt Service Appropriations (Principal only) Districts	1,813,046
Certain Sewer District Debt	83,957,892
Water District Debt	<u>4,194,000</u>
	<u>95,748,396</u>
Total Net Indebtedness	<u>526,016,716</u>
Net Debt — contracting margin	\$ <u>4,668,292,824</u>
Percentage of Debt Contracting Power Exhausted as of 11/16/02	<u>10.13%</u>
<i>Add additional debt giving effect to this financing.....</i>	<u>119,350,000</u>
<i>Proforma total net indebtedness</i>	<u>645,366,716</u>
<i>Proforma percentage net contracting margin exhausted 11/16/02.....</i>	<u>12.42%</u>
<i>Guaranteed WCHCC debt.....</i>	<u>140,910,000</u>
<i>Proforma maximum total net indebtedness and WCHCC guaranteed debt.....</i>	<u>786,276,716</u>
<i>Proforma maximum percentage net contracting margin exhausted 11/16/02 ..</i>	<u>15.14% (c)</u>

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- (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 March 8, 2001, November 25, 2001 and September 26, 2002.
- (c) The County has authorized the guarantee of certain debt to be issued by WCHCC up to a maximum amount of \$198,065,000. 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 \$198,065,000 on November 14, 2000. (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, 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, 2002A and 2002D bonds issued to the New York State Environmental Facilities Corporation. 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.

TABLE 7**Advance Refunded and Escrowed Bonded Debt as of November 16, 2002**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 2,661,000	\$ 316,641	\$ 2,977,641
2003	6,814,728	2,421,811	9,236,539
2004	5,164,795	2,070,081	7,234,876
2005	4,375,054	1,808,088	6,183,142
2006	4,135,512	1,566,059	5,701,571
2007	4,324,171	1,335,123	5,659,294
2008	3,567,035	1,090,638	4,657,673
2009	3,593,102	891,955	4,485,057
2010	3,104,726	690,650	3,795,376
2011	2,996,542	526,872	3,523,414
2012	1,332,540	366,019	1,698,559
2013	1,290,054	308,445	1,598,499
2014	1,117,724	252,538	1,370,262
2015	1,083,000	109,160	1,192,160
2016	673,000	58,258	731,258
2017	532,000	26,830	558,830
2018	20,000	2,100	22,100
2019	20,000	1,050	21,050
	<u>\$ 46,804,983</u>	<u>\$ 13,842,318</u>	<u>\$ 60,647,301</u>

On November 14, 2000, the Westchester County Health Care Corporation (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 economically 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 November 16, 2002**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 617,000	\$ 75,999	\$ 692,999
2003	2,135,432	525,384	2,660,816
2004	1,666,678	433,748	2,100,426
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	91,334	355,533
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>\$ 10,719,202</u>	<u>\$ 2,817,386</u>	<u>\$ 13,536,588</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 November 16, 2002

Parks and Parkways	\$ 64,184,731
Roads and Bridges	42,525,226
Airport.....	24,552,577
Courthouse	1,278,207
Correctional Facilities	50,033,595
Community College	13,592,897
Transportation	8,630,000
Laboratories and Research	8,967,000
Other Buildings and Miscellaneous	133,498,304
Refuse Disposal District	28,197,727 (b)
Water District 2.....	4,167,000 (b)
Water District 3.....	310,000 (b)
Sewer Districts.....	<u>241,827,848 (b)(c)</u>
Gross County Long-Term Bond Debt.....	621,765,112
Deduct District debt	<u>274,502,576</u>
Net long-term debt	347,262,536
Add new bonds—County	99,515,000
Add new bonds— WCHCC	<u>19,835,000</u>
Proforma net long-term debt as of November 16, 2002	<u>\$ 466,612,536</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 \$117,984,156 sold to the New York State Environmental Facilities Corporation for various sewer projects through the EFC's 2001A, 2001B and 2002A 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 November 16, 2002

	<u>Amount (a)</u>	<u>Per Capita (b)</u>	<u>Estimated Percentage Full Value (c)</u>
Gross Long-Term Bond Debt	\$ 621,765,112	\$ 673	0.68%
Net Long-Term Bond Debt.....	347,262,536	376	0.38%
Proforma Gross Long-Term Bond & Bond Anticipation Note Debt..	741,115,112	803	0.81%
Proforma Net Long-Term Bond & Bond Anticipation Note Debt.....	466,612,536	505	0.51%

- (a) See Table 7 for Advance Refunded Debt and Table 8 for escrowed WCHCC rent payments, which are excluded from the above table.
- (b) Westchester County's 2000 population was 923,459, according to the U.S. Bureau of the Census.
- (c) The estimated full value of taxable real estate in the County for 2002 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 November 16, 2002**

Year	Principal Payments (a)(c)	Interest Payments (a)(b)	Proforma 2002E Principal Payments (County)	Proforma 2002F Principal Payments (WCHCC) (d)	Total
2002	\$ 8,837,000	\$ 1,777,033	\$ —	\$ —	\$ 10,614,033
2003	63,328,575	22,922,035	7,935,000	—	94,185,610
2004	56,285,077	20,150,432	7,930,000	1,140,000	85,505,509
2005	50,655,640	17,372,874	7,600,000	1,175,000	76,803,514
2006	46,259,065	15,273,514	7,520,000	1,210,000	70,262,579
2007	41,102,164	13,007,867	7,465,000	1,245,000	62,820,031
2008	37,385,213	11,346,776	5,605,000	1,285,000	55,621,989
2009	34,821,791	9,609,929	5,580,000	1,325,000	51,336,720
2010	30,331,641	7,954,583	5,580,000	1,370,000	45,236,224
2011	26,144,167	6,699,684	5,430,000	1,415,000	39,688,851
2012	21,185,714	5,553,589	5,410,000	1,465,000	33,614,303
2013	16,836,700	4,585,448	5,150,000	1,520,000	28,092,148
2014	15,405,209	3,815,754	5,130,000	1,575,000	25,925,963
2015	13,769,000	2,640,463	5,035,000	1,640,000	23,084,463
2016	11,794,000	1,988,538	4,840,000	1,700,000	20,322,538
2017	9,000,000	1,429,765	4,830,000	1,770,000	17,029,765
2018	7,500,000	1,000,656	3,420,000	—	11,920,656
2019	6,110,000	638,123	3,360,000	—	10,108,123
2020	4,070,000	338,561	565,000	—	4,973,561
2021	2,960,000	140,889	565,000	—	3,665,889
2022	—	—	565,000	—	565,000
	<u>\$503,780,956</u>	<u>\$148,246,513</u>	<u>\$ 99,515,000</u>	<u>\$ 19,835,000</u>	<u>\$ 771,377,469</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 4,518,490 capital appreciation to maturity on the Capital Appreciation Bonds issued November 1994.
- (c) Excludes Bond Anticipation Notes of \$117,984,156 sold to the New York State Environmental Facilities Corporation for various sewer projects through the EFC's 2001A, 2001B and 2002A zero interest loan program.
- (d) See "Hospital Governance/Westchester County Health Care Corporation" herein.

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**

Fiscal Year	Amount	Fiscal Year	Amount
1992.....	\$ 538,500,000	1997	\$ 578,870,817
1993.....	558,445,000	1998	566,834,020
1994.....	548,097,402	1999	548,660,416
1995.....	555,777,402	2000	509,152,460
1996.....	544,537,402	2001	531,632,331

- (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 \$133,007,716.75 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 2002, the County will pay Basic Rent of \$11,177,256, 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.

In 2003, the County anticipates issuing indebtedness of approximately \$100 million in long-term bonds. An additional \$40 million of zero interest rate bond anticipation notes may be issued through the New York State Environmental Facilities Corporation (NYS EFC) for additional capital projects. Additionally, it is possible that the County may issue up to \$50 million in Tax Anticipation Notes.

On March 14, 2002, the County issued its 2002A bonds through NYS EFC to advance refund \$2,025,000 portion of the County's 1996 and 1997D bonds. The County also issued new money bonds and rolled \$200,000 of the March 2, 2000 BAN into long-term bonds with \$8,700,000 of new money through The NYS EFC on March 14, 2002 in the County's 2002B Bond Issue.

On July 26, 2002, the County issued \$22,330,800 of new money bonds through the NYS EFC. The 2002C bonds consisted of three parts. The first part was the issuance of \$2,173,511 of new money bonds. The second part was the conversion of \$8,126,003 of the then outstanding balance of \$8,275,000 of the 2000A Bond Anticipation Note issued through the NYS EFC into long-term bonds. A principal payment and reduction in project costs accounts for the difference. The 2000A Bond Anticipation Notes are fully defeased. The third part was the conversion of \$12,031,286 of the County's 2001B NYS EFC Bond Anticipation Note into \$12,031,286 of long-term bonds. \$8,246,800 of these Bond Anticipation Notes are outstanding.

On September 26, 2002, the County, through the NYS EFC, issued \$73,903,200 in short-term zero interest Bond Anticipation Notes.

TABLE 13
Capital Budget Projection
As of November 1, 2002
(Dollars in Thousands)

		Financing				(c)		
	Estimated Total Costs(a)	Cumulative Appropriations (b)	Cash Operating Budgets (d)	Other Financings (d)	Aggregate Bonding Issued and Anticipated (e)	Bonds Issued (f)	Bonds Anticipated (g)	
Buildings	\$ 625,793	\$ 457,188	\$ 20,341	\$ 10,002	\$ 426,845	\$ 247,077	\$ 179,768	
Parkways	41,925	32,015	825	12,000	19,190	10,496	8,694	
Roads and Bridges.	153,045	106,095	738	57,350	48,007	17,171	30,836	
Recreation Facilities	286,167	127,607	2,693	1,400	123,514	63,593	59,921	
Transportation	216,130	142,200	1,052	112,783	28,365	2,801	25,564	
Airport	<u>192,172</u>	<u>121,742</u>	<u>14,199</u>	<u>56,875</u>	<u>50,668</u>	<u>36,024</u>	<u>14,644</u>	
County-wide	1,515,232	986,847	39,848	250,410	696,589	377,162	319,427	
Refuse Disposal								
District	72,036	46,705	5,767	2,000	38,938	13,219	25,719	
Sewer and								
Water District	<u>2,096,443</u>	<u>291,705</u>	<u>21,425</u>	<u>44,640</u>	<u>225,640</u>	<u>28,995</u>	<u>196,645</u>	
Totals	<u>\$ 3,683,711</u>	<u>\$ 1,325,257</u>	<u>\$ 67,040</u>	<u>\$ 297,050</u>	<u>\$ 961,167</u>	<u>\$ 419,376</u>	<u>\$ 541,791</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 therefor 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>
1993	—	—	—
1994	—	—	—
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 (b)	64,589,088
2002	73,903,200 (a)	20,508,132 (c)	117,984,156 (d)

(a) Issued to the New York State Environmental Facilities Corporation.

(b) As of December 31, 2001, Notes converted into long-term New York State Environmental Facilities Corporation bonds.

(c) As of November 16, 2002, Notes converted into long-term New York State Environmental Facilities Corporation bonds or reduction in project costs.

(d) As of November 16, 2002.

Tax Anticipation Notes. The following table shows the annual issues of tax anticipation notes since 1993.

TABLE 15
Tax Anticipation Notes

<u>Fiscal Year</u>	<u>Issued</u>	<u>Retired</u>	<u>December 31</u>
1993	\$ 50,000,000	\$ 50,000,000	—
1994	60,000,000	60,000,000	—
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	—	—	—

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 1993 through 1999, 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, 2002

Cities: Yonkers.....	\$ 290,171,000
Peekskill.....	16,046,000
Rye.....	14,905,000
White Plains.....	62,342,098
Mount Vernon	8,189,273
New Rochelle	89,654,121
Nineteen Towns	183,499,481
Twenty-three Villages.....	215,549,922
Forty-eight School Districts	<u>1,114,134,837 (a)</u>
Overall Estimated Underlying Gross Debt	<u>\$ 1,994,491,732 (b)</u>

(a) Net of State Building Aid of \$17,115,272.

(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 & Company LLP, independent certified public accountants. Appendix B of this Official Statement contains summaries of the County budgets for 2000 through 2002 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.

Real Property Tax

The County derives approximately 29% 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>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Tax Levy for County Purposes	\$351,138,011	\$338,325,430	\$356,716,080	\$363,158,394	\$365,551,737
Tax Levy for Sewer, Water and Refuse Disposal Districts	<u>105,821,650</u>	<u>107,031,410</u>	<u>105,732,000</u>	<u>108,227,010</u>	<u>106,779,000</u>
	<u>\$456,959,661</u>	<u>\$ 445,356,840</u>	<u>\$462,448,080</u>	<u>\$471,385,404</u>	<u>\$472,330,737</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 2002.

TABLE 18
Computation of Constitutional Taxing Power
For the Fiscal Year 2002

<u>Year</u>	<u>2002 Full Valuation of Real Estate</u> (a)
1997	\$ 67,099,598,080
1998	68,816,360,651
1999	73,112,176,832
2000	76,750,741,972
2001	85,243,232,471
Total	<u>\$ 371,022,110,006</u>
Five-year average full valuation	<u>\$ 74,204,422,001</u>
Tax Limit: (1.5%)	1,113,066,330
Total Additions	<u>97,044,397 (b)</u>
Total taxing power	1,210,110,727
Total levy for 2002	<u>351,138,011</u>
Tax Margin	<u>\$ 858,972,716</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 2002 adopted budget are excludable from the Constitutional Tax Limit: Debt Service, \$88,935,026; taxes levied to pay costs of capital projects on a current basis without resorting to borrowing, \$18,000; non recurring repairs and replacements, \$8,091,371.

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>
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
1999	8,059,449,906	74,033,918,262	363,158,394	45.06
1998	6,717,361,720	68,480,458,696	365,551,737	54.42

- (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>
2002	\$ 456,959,661	\$ 456,959,661	\$ —
2001	445,356,840	445,356,840	—
2000	462,448,080	462,448,080	—
1999	471,385,404	471,385,404	—
1998	472,330,737	472,330,737	—

Sales Tax

The County presently imposes a 1 $\frac{1}{2}$ % County-wide sales and use tax on all retail sales. This, in addition to the present 4% State sales tax and a $\frac{1}{4}$ % sales tax levied in the Metropolitan Transportation Authority District, provides a minimum combined sales tax in the County of 5 $\frac{3}{4}$ %. In addition, 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 $\frac{1}{2}$ % 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, 2004. The additional 1% sales tax is to be apportioned between the County (33 $\frac{1}{3}$ %), school districts in the County (16 $\frac{2}{3}$ %) and towns, villages and cities in the County which have not imposed sales taxes (50%).

Other Revenues

The Hotel Occupancy Tax went into effect on January 1, 1988. In 2001, the County realized \$4,672,457 from imposition of the tax. Budgeted revenues are \$4,950,000 for 2002.

The Motor Vehicle Tax, which became effective in the third quarter of 1991, generated revenue of \$4,971,743 in 2001. The budget estimate is \$4,865,000 for 2002.

The 2001 budget estimate for Federal and State aid was \$360.7 million for all categories including social services programs, mental health, public health, transportation and other County programs. The County actually earned \$363.9 million in Federal and State aid in 2001.

The 2002 budget anticipates a total of \$377.6 million, which includes \$260.7 million in Federal and State aid for Social Service programs and \$116.9 million for mental health, public health, transportation and other County programs. Of such amounts, approximately 36.1% (\$136.1 million) is Federal aid and 63.9% (\$241.5 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 \$178.2 million in federal, State and private grants in 2002. 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 \$1,099.3 million during 2001, of which 40.2% was spent for Economic Assistance and Opportunity.

The 2002 Operating Budget for the General Fund anticipates expenditures and other financing uses to total \$1.30 billion with an estimated 36.6% 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 \$28.3 million for 2001 and \$34.2 million in 2002, 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 2002 (a)	Actuals			
	2001	2000	1999	1998	
General Government.....	\$ 91,523	\$ 73,984	\$ 80,454	\$ 78,142	\$ 76,364
Education.....	101,284	91,519	74,022	59,174	61,821
Public Safety.....	187,175	172,411	159,701	148,088	136,796
Health	54,639	45,063	45,804	131,059	36,754
Transportation.....	74,317	67,035	61,804	61,451	59,455
Economic Assistance & Opportunity.....	477,711	441,760	424,466	418,514	396,289
Culture and Recreation	41,511	38,474	34,085	30,824	28,964
Home and Community Services	4,342	3,026	2,546	2,071	1,996
Employee Benefits.....	91,628	83,596	79,410	74,955	62,308
Capital Outlay.....	1,686	2,120	1,204	1,350	2,270
Debt Service	66,175	60,988	62,259	72,724	73,487
Transfers Out.....	17,375	19,375	18,182	19,019	50,254
WCHCC Credit Support	95,000 (b)	- 0 -	- 0 -	- 0 -	- 0 -
Total Expenditures.....	<u>\$ 1,304,366</u>	<u>\$ 1,099,351</u>	<u>\$1,043,937</u>	<u>\$1,097,371</u>	<u>\$ 986,758</u>

(a) As amended through October 31, 2002.

(b) This is an appropriation to provide credit support and is offset by \$95 million 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 10th 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 amending the Charter to provide the County with the authority to lease certain premises to WCHCC and authorizing 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.

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:

2002	\$95 million	2005	\$80 million
2003	\$90 million	2006	\$75 million
2004	\$85 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.

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 (as defined below) 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. The financial benchmarks include: (i) current ratio; (ii) days in accounts receivables; (iii) average payment period; (iv) days cash on hand; (v) debt service coverage ratio; (vi) debt service as a percentage of revenues; (vii) total margin ratio; (viii) operation/margin ratio; (ix) return on equity ratio; and (x) return on total assets (collectively, each as calculated in accordance the Transition Agreement, the "Financial Measures").

During fiscal year 2001, WCHCC suffered an increase in malpractice insurance expenses of approximately \$12 million due in large part to poor market performance on the existing self-insurance fund allocations, the filing of unanticipated additional claims and the upward development of certain existing claims in excess of the actuarial estimates provided in connection therewith. Primarily as a result of the foregoing expense, the financial results of the Hospital for fiscal year 2001 failed to satisfy those Financial Measures denoted as items (iii), (v), (vii), (viii), (ix) and (x) above. WCHCC served notice of such failures to the County and, in accordance with the provisions of the Transition Agreement, WCHCC and the County formed a committee to select a consultant to advise on all aspects of the management of WCHCC and the businesses WCHCC operates. Pitts Management Associates, Inc. was selected to perform these duties as of December 9, 2002.

Subsequent to the Transition Agreement, and in connection with the issuance and sale by the Corporation of its \$255,100,000 Series 2000 Revenue Bonds, comprised of \$113,240,000 Revenue Bonds (Series 2000A – Senior Lien), \$91,310,000 Revenue Bonds (Series 2000B – Subordinate Lien) (Westchester County Guaranteed), \$47,575,000 Revenue Bonds (Series 2000C-1 Tax-Exempt – Subordinate Lien) (Westchester County Guaranteed), and \$2,975,000 Revenue Bonds (Series 2000C-2 Taxable – Subordinate Lien) (Westchester County Guaranteed), the Corporation entered into a Master Trust Indenture, dated as of November 1, 2000 (the "Master Indenture"), with The Bank of New York, successor in interest to United States Trust Company of New York (the "Master Trustee").

Similar to the Transition Agreement, the Master Indenture provides for certain financial tests to be satisfied by WCHCC, and requires, among other things, that WCHCC maintain a Long-Term Debt Service Coverage Ratio (as defined in the Master Indenture), tested on a semi-annual basis in accordance with the provisions thereof, of at least 1.25. During the twelve-month period ended June 30, 2002, WCHCC suffered a significant loss of revenue, primarily as a result of a marked decrease in case mix acuity, in part due to the national shift away from cardiac surgery, and also experienced a substantial increase in non-salary expenses (*i.e.* pharmaceutical and insurance costs) and salary expenses, the latter due in large part to higher than anticipated collective bargaining settlements with WCHCC's Registered Nurses as a result of a national shortage of such skilled employees. As a result of the foregoing factors, exacerbated by the general economic climate in the health care industry, WCHCC's Long-Term Debt Service Coverage Ratio for the twelve-month period ended June 30, 2002 equaled 0.38.

WCHCC served notice of such failure to the Master Trustee and, in accordance with the provisions of the Master Indenture, undertook efforts to retain a consultant acceptable to the County and the Master Trustee. The Master Indenture requires that such consultant commence work on a report to be delivered to WCHCC, the County and the Master Trustee recommending changes with respect to the operation and management of WCHCC's facilities, and, to the extent permitted by law, implement such consultant's recommendation in a timely manner.

As indicated above, measures have been undertaken to retain a consultant in order to simultaneously satisfy the parallel requirements of both the Master Indenture and the Transition Agreement, and upon selection of such

consultant and preparation of the required report thereby, WCHCC will file a copy of such report with both the Master Trustee and the County, and endeavor to implement all recommendations thereof in accordance with the provisions of the Master Indenture and the Transition Agreement.

FINANCIAL STATEMENTS AND ACCOUNTING PROCEDURES

Included in Appendix A are the financial statements of the various funds of the County for the year ended December 31, 2001 together with the report thereon, dated April 24, 2002, of Bennett Kielson Storch DeSantis & Company LLP, independent certified public accountants. Such audited statements have been included herein, in reliance upon the report of such firm as experts in auditing and accounting. Appendix B contains the budgets for 2000 through 2002 as amended.

The County's policy is to prepare its financial statements on a prescribed basis of accounting that demonstrates compliance with the budgetary provisions of the County of Westchester, New York, which is a comprehensive basis of accounting other than generally accepted accounting principles. This basis of accounting does not recognize all the revenues required to be recognized under governmental accounting and financial reporting principles as established by the Governmental Accounting Standard Board ("GASB"). (See Notes 1 and 2 in Notes to Financial Statements.) The County considers that its accounting procedures described above can properly be categorized as conservative.

RESULTS OF OPERATIONS FOR THE GENERAL FUND FOR THE 2001 BUDGET YEAR AND THE BUDGET FOR 2002 AS AMENDED

The audited 2001 fiscal year resulted in a year-end undesignated fund balance of \$38,300,987 compared to the restated, undesignated 2000 fund balance of \$41,349,170.

The 2002 Budget had an increase in tax levy of \$12,812,581. Total County spending in the General Fund Budget, as amended, increased by \$63,962,165. The appropriation of fund balance, as amended, was \$82.0 million, consisting of Reserve for Encumbrances, \$11.1 million, Reserve for Debt Stabilization, \$35.1 million and Undesignated, \$35.8 million. Expenditures increased by \$11.2 million in the Health Department, primarily for the Federal and State programs for Services for Children with Disabilities. In Social Services, appropriations increased by \$15.8 million. Although welfare reform continues to reduce caseloads, Medicaid continues to rise. 2002 sales tax revenue is at the same level as 2001, representing the continuing effects of September 11, 2001, and other economic factors.

PROPOSED 2003 BUDGET

The County Executive released his proposed 2003 budget on November 15, 2002. This budget is subject to approval by the Board of Legislators. The 2003 proposed budget includes a real property tax increase of \$100,429,422 (28.6%). It also appropriates \$46.2 million of fund balance, consisting of \$38.3 million Undesignated and \$7.9 million Designated for Debt Stabilization, available as of December 31, 2001 (See Appendix A, Note 3 (D), "Fund Balances"). Revenue projections for 2003 sales tax are estimated to be 2.3% higher than 2002. Hotel tax and investment income have been projected to be less than amounts budgeted in 2002. A comparative analysis of expenditures and revenues of the County's proposed current operating budget can be found in Appendix D.

EMPLOYEES

The County provides services through approximately 5,996 full-time equivalent employees; 406 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 76 registered nurses in various County departments;

The Westchester County Correction Officers Benevolent Association (COBA) representing 738 correction officers;

The Westchester County Correction Department Superior Officers Association (SOA) representing 112 senior assistant wardens, sergeants, captains and specialists;

The Westchester Community College Federation of Teachers (WCCFT) representing 206 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 241 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 38 Criminal Investigators in the District Attorney's Office;

Local 456, International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America, AFL-CIO representing 182 administrators and managers;

The Civil Service Employees Association (CSEA) representing all titles and County employees other than those mentioned above. This representation amounts to 3,978 employees.

The collective bargaining agreements expire at different times. The NYSNA expired on December 31, 2001; negotiations are in progress. The COBA contract expired on December 31, 2001; an arbitrator's decision is being awaited. The SOA contracts expired on December 31, 2001; negotiations are in progress. The WCCFT contract expired on August 31, 2001; negotiations are in progress. The PBA and SPBA are in the second year of two-year agreements which will expire on December 31, 2002; negotiations are underway. The DA Investigator's contract will expire on December 31, 2002; negotiations are in progress. The CSEA and Local 456 Teamster's contracts expired on December 31, 2001; negotiations 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)

	Year Ended December 31				
	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
New York State Employees Retirement System.....	\$11,159,034	\$ 5,030,140	\$ 3,491,404	\$ 15,327,769	\$ 9,173,256
New York State Policemen's and Firemen's Retirement System.....	<u>21,167</u>	<u>110,678</u>	<u>1,677,704</u>	<u>405,053</u>	<u>1,120,301</u>
Total Payment.....	<u>\$ 11,180,201</u>	<u>\$ 5,140,818</u>	<u>\$ 5,169,108</u>	<u>\$ 15,732,822</u>	<u>\$ 10,293,557</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 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 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 \$3,393,501 and \$4,335,398 were expended in 2000 and 2001, respectively. For 2002, the County has budgeted \$4,550,000 which it expects will be sufficient to cover 2002 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 September 30, 2002 for claims arising from 1986 through September 30, 2002 occurrences; in addition the actuary has identified \$3,515,000 in funds available for the pure catastrophic reserve and public officials' liabilities issues.

Of those cases instituted after the September 30, 2002 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 cases may have exposure of \$5,000,000 or more and are not covered by the County's Self-Insurance Fund. To the extent that these cases also appear in Appendix "A," Note 4, they are herein updated:

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 continuing

Subolo Contracting Corporation v. County of Westchester: In this Article 78 proceeding commenced in Supreme Court, Westchester County, Petitioner, a successful contractor on a public works project at the College sought declaratory relief and damages. Specifically, the Petitioner sought a declaration that a Project Labor Agreement was not a term and condition of the contract. The Court granted the County's motion to dismiss and dismissed the complaint without prejudice. The Petitioner filed a motion to reargue which was denied. The Petitioner appealed. The Appellate Division, Second Department, affirmed the dismissal of the complaint and directed the Supreme Court to enter a judgment declaring that the plaintiff was required to execute a Project Labor Agreement. The final judgment was signed September 4, 2001.

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.

Potential Litigation

On September 15, 1997, the Board authorized the appropriate budget transfers and transfer of functions to allow the County to enter into a privatization contract with Integrated Systems Solutions Corporation ("ISSC") through the end of 1997. The contract with ISSC for the provision of computer outsourcing services for the remainder of 1997 was executed and, pursuant to its terms, a claim in the amount of \$8,625,830 was made against the County by ISSC 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. The County and ISSC entered into non-binding arbitration to aid in determining the amount owed to ISSC. An arbitrator ruled that ISSC is entitled to \$7,549,000 to settle this claim. As the arbitration was non-binding, the County has reserved all of its rights to dispute this ruling.

TAX MATTERS

Opinion of Bond Counsel

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds shall be and remain excludable from gross income under Section 103 of the Code. The Arbitrage and Use of Proceeds Certificate (the "Certificate") of the County, which will be delivered concurrently with the delivery of the Bonds will contain provisions and procedures relating to compliance with the requirements of the Code. The Commissioner of Finance of the County, in executing the Certificate, will certify to the effect that the County will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that interest paid on the Bonds is excludable from gross income under Section 103 of the Code. In the opinion of Bond Counsel, the Certificate sets forth provisions and procedures under which the requirements of the Code can be met. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the County and others in connection with the Bonds, and Bond Counsel has assumed compliance by the County with certain provisions and procedures set forth in the Certificate relating to compliance with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

In the opinion of Hawkins, Delafield & Wood, Bond Counsel, under existing statutes and court decisions, interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of 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 cities of New York and 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 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.

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 the Bonds 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 that it will 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 deal with all aspects of Federal taxation that may be relevant to a particular owner of an interest in 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 interests in the Bonds.

Prospective owners of interests in 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 not included in 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.

Legislation affecting municipal bonds is regularly under consideration by the United States Congress. 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.

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 an interest in 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 an interest in 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. An owner of an interest in 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 an interest in 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 interests in 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 interests in Premium 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 AAA 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, 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

Closing Certificates

ADDITIONAL INFORMATION

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COUNTY OF WESTCHESTER

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LES STORCH
NICHOLAS DESANTIS
STUART S. STENGEL
DOMENICK CONSOLO
SUSAN L. FRIEND

INDEPENDENT AUDITORS' REPORT

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

We have audited the general purpose financial statements of the County of Westchester, New York as of and for the year ended December 31, 2001, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Westchester County Health Care Corporation and Subsidiaries, a component unit, which represents 89.9% and 86.5% respectively, of the assets and revenues and other financing sources of the component units. Those financial statements were audited by other auditors whose report thereon, dated May 30, 2002, has been furnished to us and our opinion on the general purpose financial statements insofar as it relates to amounts included for such component unit, is based on the report of the other auditor.

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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

As described in Notes 1 and 2, the County's policy is to prepare its financial statements on a prescribed basis of accounting that demonstrates compliance with the budgetary provisions of the County of Westchester, New York, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the report of the other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund equity of the County of Westchester, New York at December 31, 2001 and the revenues, expenditures/expenses, changes in fund equity and cash flows of its proprietary fund types for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2002 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 an opinion on the general purpose financial statements taken as a whole. 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 general purpose financial statements of the County of Westchester, New York. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion and the opinion of the other auditors, is fairly presented in all material respects in relation to the general purpose financial statements taken as a 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 general purpose financial statements and accordingly, we express no opinion on it.

Bennett Kjelson Storch DeSantis & Company LLP

April 24, 2002

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Combined Balance Sheet

ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS

December 31, 2001

	Governmental Fund Types			Proprietary	Fiduciary
	General	Special Revenue	Capital Projects	Fund Type Internal Service	Fund Type Trust and Agency
ASSETS AND OTHER DEBITS					
Assets:					
Cash.....	\$ 12,126,292	\$ 3,011,292	\$ 16,241,045	\$ 3,368,459	\$ 12,719,997
Investments.....	128,259,000	100,000,000	88,712,352	57,995,651	—
Assets Limited as to Use.....	—	—	—	—	—
Accounts Receivable, Net of Allowance for Doubtful Accounts.....	46,316,623	8,201,486	—	745,236	6,630,674
Due from Federal and State Governments.....	154,501,371	8,245,706	—	—	—
Due from Other Funds.....	43,537	21,627,592	7,508,479	7,894,419	24,614,362
Inventories.....	233,071	—	—	—	—
Restricted Investments.....	—	—	—	—	53,188,123
Deferred Charge.....	3,906,250	—	—	—	—
Prepaid Expenditure.....	742,115	—	—	—	—
Land.....	—	—	—	—	—
Buildings.....	—	—	—	—	—
Improvements.....	—	—	—	—	—
Machinery and Equipment.....	—	—	—	—	—
Construction-in-Progress.....	—	—	—	—	—
Less Accumulated Depreciation.....	—	—	—	—	—
Other Assets.....	—	—	—	—	—
Other Debits:					
Amount Available in Other Funds for Debt Service.....	—	—	—	—	—
Amount to be Provided for General Long-Term Debt.....	—	—	—	—	—
Total Assets and Other Debits.....	<u>\$ 346,128,259</u>	<u>\$ 141,086,076</u>	<u>\$ 112,461,876</u>	<u>\$ 70,003,765</u>	<u>\$ 97,153,156</u>

Account Groups		Totals Primary Government (Memorandum Only)	Component Units				Totals Reporting Entity (Memorandum Only)
			Westchester County Health Care Corporation December 31, 2001	Westchester Community College August 31, 2001	Public Utility Service Agency December 31, 2001	Industrial Development Agency December 31, 2001	
General Fixed Assets	General Long-Term Debt						
\$ —	\$ —	\$ 47,467,085	\$ 17,112,228	\$ 5,343,784	\$ 488,345	\$ 2,557,529	\$ 72,968,971
		374,967,003	—	29,677,538	70,000	—	404,714,541
		—	190,421,297	—	—	—	
		61,894,019	112,408,977	1,842,053	495,910	—	176,640,959
		162,747,077	—	—	—	—	162,747,077
		61,688,389	—	—	—	—	61,688,389
		233,071	—	—	—	—	233,071
		53,188,123	—	5,325,000	—	—	58,513,123
		3,906,250	—	—	—	—	3,906,250
		742,115	—	—	—	—	742,115
141,908,748	—	141,908,748	5,542,538	—	—	1,100,000	148,551,286
433,535,444	—	433,535,444	162,524,688	—	—	—	596,060,132
1,157,315,101	—	1,157,315,101	—	—	—	—	1,157,315,101
147,868,570	—	147,868,570	158,358,217	10,872,646	—	—	317,099,433
55,791,642	—	55,791,642	46,123,433	—	—	—	101,915,075
	—	—	(218,735,469)	—	—	—	(218,735,469)
	—	—	38,511,747	—	—	—	38,511,747
	11,373,848	11,373,848	—	—	—	—	11,373,848
	561,628,037	561,628,037	—	—	—	—	561,628,037
\$ 1,936,419,505	\$ 573,001,885	\$ 3,276,254,522	\$ 512,267,656	\$ 53,061,021	\$ 1,054,255	\$ 3,657,529	\$ 3,846,294,983

continued

Combined Balance Sheet

ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS (cont'd)

December 31, 2001

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Type
	General	Special Revenue	Capital Projects	Internal Service	Trust and Agency
LIABILITIES, EQUITY AND OTHER CREDITS					
Liabilities:					
Accounts Payable and Accrued Liabilities.....	\$ 146,401,568	\$ 18,089,274	\$ 7,958,803	\$ 56,043,645	\$ 16,604,067
Due to Other Funds.....	61,644,852	—	—	43,537	—
Matured Bonds and Interest Payable.....	182,187	—	—	—	—
Notes Payable.....	—	—	—	—	—
Deferred Revenues.....	—	—	—	—	—
General Obligation Bonds Payable.....	—	—	—	—	—
Bond Anticipation Notes Payable.....	—	—	64,589,088	—	—
Restricted Securities and Deposits Payable.....	35,811	—	—	—	80,549,089
Restricted Deferred Revenue.....	—	—	—	—	—
Compensated Absences.....	—	—	—	—	—
Land Fill Post Closure Costs.....	—	—	—	—	—
New York State Retirement.....	—	—	—	—	—
Total Liabilities.....	208,264,418	18,089,274	72,547,891	56,087,182	97,153,156
Equity and Other Credits:					
Investments in General Fixed Assets.....	—	—	—	—	—
Contributed Capital.....	—	—	—	—	—
Retained Earnings.....	—	—	—	13,916,583	—
Fund Balances:					
Reserved.....	20,518,091	1,209,668	11,373,848	—	—
Unreserved.....	117,345,750	121,787,134	28,540,137	—	—
Total Equity and Other Credits.....	137,863,841	122,996,802	39,913,985	13,916,583	—
Total Liabilities, Equity and Other Credits.....	\$ 346,128,259	\$ 141,086,076	\$ 112,461,876	\$ 70,003,765	\$ 97,153,156

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

Account Groups		Totals Primary Government (Memorandum Only)	Component Units				Totals Reporting Entity (Memorandum Only)
			Westchester County Health Care Corporation December 31, 2001	Westchester Community College August 31, 2001	Public Utility Service Agency December 31, 2001	Industrial Development Agency December 31, 2001	
General Fixed Assets	General Long-Term Debt						
\$ —	\$ —	\$ 245,097,357	\$ 126,727,344	\$ 14,126,699	\$ 332,430	\$ 287,575	\$ 386,571,405
—	—	61,688,389	—	—	—	—	61,688,389
—	—	182,187	—	—	—	—	182,187
—	—	—	45,000,000	—	—	—	45,000,000
—	—	—	51,085,713	7,694,472	—	—	—
—	531,632,331	531,632,331	254,650,000	—	—	—	786,282,331
—	—	64,589,088	—	—	—	—	64,589,088
—	—	80,584,900	—	—	—	—	80,584,900
—	—	—	—	5,281,677	—	—	5,281,677
—	24,200,000	24,200,000	—	8,384,050	—	—	32,584,050
—	16,638,000	16,638,000	—	—	—	—	16,638,000
—	531,554	531,554	—	—	—	—	531,554
—	573,001,885	1,025,143,806	477,463,057	35,486,898	332,430	287,575	1,538,713,766
1,936,419,505	—	1,936,419,505	—	—	—	—	1,936,419,505
—	—	—	—	—	—	1,100,000	1,100,000
—	—	13,916,583	—	—	721,825	2,269,954	16,908,362
—	—	33,101,607	25,777,664	444,826	—	—	59,324,097
—	—	267,673,021	9,026,935	17,129,297	—	—	293,829,253
1,936,419,505	—	2,251,110,716	34,804,599	17,574,123	721,825	3,369,954	2,307,581,217
\$ 1,936,419,505	\$ 573,001,885	\$ 3,276,254,522	\$ 512,267,656	\$ 53,061,021	\$ 1,054,255	\$ 3,657,529	\$ 3,846,294,983

Combined Statement of Revenues, Expenditures and Changes in Fund Balances ALL GOVERNMENTAL FUND TYPES

Year Ended December 31, 2001

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
REVENUES:				
Taxes on Real Property.....	\$ 338,325,430	\$ 107,031,410	\$ —	\$ 445,356,840
Sales Tax.....	259,150,845	—	—	259,150,845
Federal Aid.....	138,942,818	56,383,155	3,403,850	198,729,823
State Aid.....	225,026,701	44,744,593	9,395,634	279,166,928
Departmental Income.....	93,779,967	69,994,709	—	163,774,676
Earnings on Investments.....	8,996,603	6,660,822	1,751,904	17,409,329
Miscellaneous	30,536,682	7,263,437	503,175	38,303,294
Total Revenues.....	1,094,759,046	292,078,126	15,054,563	1,401,891,735
EXPENDITURES:				
Current:				
General Government.....	73,983,819	15,782,888	—	89,766,707
Education.....	91,518,505	—	—	91,518,505
Public Safety.....	172,411,167	10,630,887	—	183,042,054
Health.....	45,062,873	54,519,642	—	99,582,515
Transportation.....	67,034,742	20,068,620	—	87,103,362
Economic Assistance and Opportunity.....	441,760,310	43,199,232	—	484,959,542
Culture and Recreation.....	38,473,529	2,404,096	—	40,877,625
Home and Community Services.....	3,025,951	99,720,617	—	102,746,568
Employee Benefits.....	83,595,974	8,633,460	—	92,229,434
Capital Outlay.....	2,119,712	3,346,305	119,619,396	125,085,413
Debt Service.....	60,987,908	27,157,542	78,737	88,224,187
Total Expenditures.....	1,079,974,490	285,463,289	119,698,133	1,485,135,912
Excess (Deficiency) of Revenues Over Expenditures.....	14,784,556	6,614,837	(104,643,570)	(83,244,177)
OTHER FINANCING SOURCES (USES):				
Proceeds from Refunding Bonds.....	—	—	9,881,533	9,881,533
Proceeds from General Obligation Bonds.....	—	—	86,537,097	86,537,097
Operating Transfers In.....	3,369,632	5,944,490	4,758,000	14,072,122
Operating Transfers Out.....	(4,504,218)	(2,765,276)	(6,802,628)	(14,072,122)
Operating Transfers Out—Component Unit.....	(14,871,000)	—	—	(14,871,000)
Payment to Refunded Bond Escrow Agent	—	—	(9,802,796)	(9,802,796)
Total Other Financing Sources (Uses).....	(16,005,586)	3,179,214	84,571,206	71,744,834
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses.....	(1,221,030)	9,794,051	(20,072,364)	(11,499,343)
Fund Balances—Beginning of Year.....	133,243,169	114,665,232	59,986,349	307,894,750
Restatement	4,379,221	—	—	4,379,221
Fund Balances—Beginning of Year, as Restated.....	137,622,390	114,665,232	59,986,349	312,273,971
Residual Equity Transfer.....	1,462,481	(1,462,481)	—	—
Fund Balances—End of Year.....	\$ 137,863,841	\$ 122,996,802	\$ 39,913,985	\$ 300,774,628

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

Combined Statement of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual

GENERAL AND SPECIAL REVENUE FUNDS

Year Ended December 31, 2001

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:						
Taxes on Real Property.....	\$ 338,325,430	\$ 338,325,430	\$ —	\$ 107,031,410	\$ 107,031,410	\$ —
Sales Tax.....	263,300,000	259,150,845	(4,149,155)	—	—	—
Federal Aid.....	144,510,373	138,942,818	(5,567,555)	—	—	—
State Aid.....	216,248,775	225,026,701	8,777,926	—	—	—
Departmental Income.....	90,719,514	93,779,967	3,060,453	54,311,010	56,004,615	1,693,605
Earnings on Investments.....	9,380,221	8,996,603	(383,618)	6,579,425	6,660,822	81,397
Miscellaneous.....	29,527,142	30,536,682	1,009,540	15,000	452,744	437,744
Total Revenues.....	1,092,011,455	1,094,759,046	2,747,591	167,936,845	170,149,591	2,212,746
EXPENDITURES:						
Current:						
General Government.....	86,638,054	73,983,819	12,654,235	10,652,568	9,392,988	1,259,580
Education.....	91,733,858	91,518,505	215,353	—	—	—
Public Safety.....	173,741,094	172,411,167	1,329,927	—	—	—
Health.....	52,445,871	45,062,873	7,382,998	—	—	—
Transportation.....	69,386,431	67,034,742	2,351,689	19,552,886	18,208,588	1,344,298
Economic Assistance and Opportunity.....	458,349,979	441,760,310	16,589,669	—	—	—
Culture and Recreation.....	39,508,473	38,473,529	1,034,944	—	—	—
Home and Community Services.....	3,141,777	3,025,951	115,826	110,139,478	98,741,906	11,397,572
Employee Benefits.....	84,171,204	83,595,974	575,230	8,966,925	8,633,460	333,465
Capital Outlay.....	4,099,870	2,119,712	1,980,158	4,209,380	3,346,305	863,075
Debt Service.....	61,804,429	60,987,908	816,521	35,003,708	27,157,542	7,846,166
Total Expenditures.....	1,125,021,040	1,079,974,490	45,046,550	188,524,945	165,480,789	23,044,156
Excess (Deficiency) of Revenues Over Expenditures.....	(33,009,585)	14,784,556	47,794,141	(20,588,100)	4,668,802	25,256,902
OTHER FINANCING SOURCES (USES):						
WCHCC Credit Support.....	95,000,000	—	(95,000,000)	—	—	—
Operating Transfers In.....	3,369,632	3,369,632	—	4,828,910	4,846,498	17,588
Operating Transfers Out.....	(5,512,267)	(4,504,218)	1,008,049	(2,765,276)	(2,765,276)	—
Operating Transfers Out—Component Unit.....	(14,871,000)	(14,871,000)	—	—	—	—
WCHCC Credit Support Repayment.....	(95,000,000)	—	95,000,000	—	—	—
Total Other Financing Sources (Uses).....	(17,013,635)	(16,005,586)	1,008,049	2,063,634	2,081,222	17,588
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses.....	(50,023,220)	(1,221,030)	48,802,190	(18,524,466)	6,750,024	25,274,490
Fund Balances—Beginning of Year.....	50,023,220	133,243,169	83,219,949	18,524,466	103,652,004	85,127,538
Restatement	—	4,379,221	4,379,221	—	—	—
Fund Balances—Beginning of Year, as Restated.....	50,023,220	137,622,390	87,599,170	18,524,466	103,652,004	85,127,538
Residual Equity Transfer.....	—	1,462,481	1,462,481	—	—	—
Fund Balances—End of Year.....	\$ —	\$ 137,863,841	\$ 137,863,841	\$ —	\$ 110,402,028	\$ 110,402,028

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

Combined Statement of Revenues, Expenses and Changes in Fund Balance/Retained Earnings

ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS

Year Ended December 31, 2001

	Proprietary Fund Type	Component Units			Totals Reporting Entity (Memorandum Only)
		Westchester County Health Care Corporation	Public Utility Service Agency	Industrial Development Agency	
OPERATING REVENUES:					
Charges for Services.....	\$ 90,098,255	\$ 472,269,794	\$ 3,471,049	\$ 874,436	\$ 566,713,534
Other Revenue.....	—	48,641,730	—	—	48,641,730
Total Operating Revenues.....	90,098,255	520,911,524	3,471,049	874,436	615,355,264
OPERATING EXPENSES:					
Personal Services.....	—	206,420,948	—	—	206,420,948
Other than Personal Services.....	—	264,380,136	—	—	264,380,136
Depreciation and Amortization.....	—	12,357,250	—	—	12,357,250
Provision for Bad Debts.....	—	21,980,574	—	—	21,980,574
Administrative Services.....	—	—	48,381	616,024	664,405
Claims and Claims Adjustments.....	16,241,409	26,974,564	—	—	43,215,973
Employee Health Benefits.....	78,091,057	—	—	—	78,091,057
Purchase/Delivery—Electric Power.....	—	—	3,349,861	—	3,349,861
Miscellaneous	—	—	—	132,422	132,422
Total Operating Expenses.....	94,332,466	532,113,472	3,398,242	748,446	630,592,626
Operating Income (Loss).....	(4,234,211)	(11,201,948)	72,807	125,990	(15,237,362)
NON-OPERATING REVENUES (EXPENSES):					
Earnings on Investments.....	3,559,507	—	7,907	86,363	3,653,777
Net Increase (Decrease) in Fair Value of Investments.....	(272,151)	—	—	—	(272,151)
Interest Expense.....	—	(4,032,580)	—	—	(4,032,580)
Other Non-Operating Loss.....	—	(687,004)	—	—	(687,004)
Total Non-Operating Revenues (Expenses).....	3,287,356	(4,719,584)	7,907	86,363	(1,337,958)
Net Income (Loss)	(946,855)	(15,921,532)	80,714	212,353	(16,575,320)
Fund Balances/Retained Earnings—Beginning of Year.....	14,863,438	47,264,956	641,111	3,157,601	65,927,106
Net Change in Restricted Fund Balance.....	—	3,461,175	—	—	3,461,175
Fund Balances/Retained Earnings—End of Year.....	\$ 13,916,583	\$ 34,804,599	\$ 721,825	\$ 3,369,954	\$ 52,812,961

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

Combined Statement of Cash Flows

ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS

Year Ended December 31, 2001

	Proprietary Fund Type Internal Service	Component Units			Totals Reporting Entity (Memorandum Only)
		Westchester County Health Care Corporation	Public Utility Service Agency	Industrial Development Agency	
Cash Flows from Operating Activities:					
Operating Income (Loss).....	\$ (4,234,211)	\$ (11,201,948)	\$ 72,807	\$ 125,990	(15,237,362)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Depreciation and Amortization.....	—	12,357,250	—	—	12,357,250
Provision for Bad Debts.....	—	21,980,574	—	—	21,980,574
Increase (Decrease) in Cash Flows from Changes in Assets and Liabilities:					
Assets Limited as to Use.....	—	29,096,088	—	—	29,096,088
Accounts Receivable.....	(104,716)	(39,614,449)	28,257	—	(39,690,908)
Accounts Payable and Accrued Liabilities.....	5,340,384	19,407,349	54,389	—	24,802,122
Other Assets.....	—	(13,219,194)	—	—	(13,219,194)
Net Cash Provided by (Used in) Operating Activities.....	1,001,457	18,805,670	155,453	125,990	20,088,570
Cash Flows from Non-Capital Financing Activities:					
Deferred Revenues.....	—	(12,771,429)	—	—	(12,771,429)
Transfer of Restricted Assets.....	—	3,461,175	—	—	3,461,175
Interest Expense.....	—	(4,032,580)	—	—	(4,032,580)
Due from Other Funds.....	8,162,312	—	—	(170,169)	7,992,143
Due to Other Funds.....	(1,027,205)	—	—	—	(1,027,205)
Non- Operating Loss.....	—	(687,004)	—	—	(687,004)
Net Cash Provided by (Used in) Non-Capital Financing Activities.....	7,135,107	(14,029,838)	—	(170,169)	(7,064,900)
Cash Flows from Capital and Related Financing Activities:					
Acquisition and Construction of Capital Assets.....	—	(37,567,762)	—	—	(37,567,762)
Issuance of Notes Payable.....	—	45,000,000	—	—	45,000,000
Principal Payments on Debt.....	—	(450,000)	—	—	(450,000)
Net Cash Provided by Capital and Related Financing Activities.....	—	6,982,238	—	—	6,982,238
Cash Flows from Investing Activities:					
Purchase of Investments.....	(57,995,651)	—	(70,000)	—	(58,065,651)
Sale of Investments.....	45,064,297	—	—	1,500,000	46,564,297
Earnings on Investments.....	3,559,507	—	7,907	86,363	3,653,777
Net Decrease of Fair Value of Investments.....	(272,151)	—	—	—	(272,151)
Net Cash Provided (Used) by Investing Activities.....	(9,643,998)	—	(62,093)	1,586,363	(8,119,728)
Net Increase (Decrease) in Cash.....	(1,507,434)	11,758,070	93,360	1,542,184	11,886,180
Cash—Beginning of Year.....	4,875,893	5,354,158	394,985	1,015,345	11,640,381

Westchester Community College— Statement of Current Funds Revenues, Expenditures and Other Changes

Year Ended August 31, 2001

	Current Funds		
	Unrestricted	Restricted	Totals
REVENUES:			
Tuition and fees:			
Student Tuition.....	\$ 21,958,983	\$ —	\$ 21,958,983
Out of State Tuition.....	1,011,558	—	1,011,558
New York State Non-resident Tuition.....	142,731	—	142,731
Total Tuition and Fees.....	23,113,272	—	23,113,272
Operating Chargebacks.....	2,194,965	—	2,194,965
Capital Chargebacks.....	422,359	—	422,359
State Aid.....	22,478,155	—	22,478,155
Federal Aid.....	—	4,642,735	4,642,735
State and Miscellaneous Grants.....	—	6,966,102	6,966,102
Interest.....	1,870,535	—	1,870,535
Other.....	171,415	—	171,415
Total Revenues	50,250,701	11,608,837	61,859,538
EXPENDITURES:			
Instructional.....	35,161,411	4,558,871	39,720,282
Public Service.....	18,234	10,000	28,234
Student Services.....	7,437,272	356,030	7,793,302
Maintenance and Operation of Plant.....	4,805,585	—	4,805,585
Institutional Support.....	8,211,810	—	8,211,810
Academic Support.....	6,606,782	96,634	6,703,416
Debt Service.....	2,276,669	—	2,276,669
Financial Aid Awards.....	—	6,674,119	6,674,119
Total Expenditures.....	64,517,763	11,695,654	76,213,417
Deficiency of Revenues Over Expenditures	(14,267,062)	(86,817)	(14,353,879)
TRANSFERS:			
Operating Transfers In—Primary Government.....	14,784,183	86,817	14,871,000
Net Increase in Fund Balances.....	\$ 517,121	\$ —	\$ 517,121

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

Westchester Community College— Statement of Changes in Fund Balances

Year Ended August 31, 2001

	Current Funds		Loan Fund	Plant Funds		Totals
	Unrestricted	Restricted		Unexpended	Investment in Plant	
REVENUES AND OTHER ADDITIONS:						
Revenues.....	\$ 48,380,166	\$ —	\$ —	\$ —	\$ —	\$ 48,380,166
State and Other Grants - Restricted.....	—	6,966,102	—	—	—	6,966,102
Federal Aid.....	—	4,642,735	—	—	—	4,642,735
Interest Income.....	1,870,535	—	16,249	501,343	—	2,388,127
Equipment Acquisitions from Current Funds.....	—	—	—	—	592,973	592,973
Total Revenues and Other Additions.....	50,250,701	11,608,837	16,249	501,343	592,973	62,970,103
EXPENDITURES AND OTHER DEDUCTIONS:						
Educational and General Expenditures.....	64,517,763	11,695,654	—	—	—	76,213,417
Bad Debts.....	—	—	61,063	—	—	61,063
Total Expenditures and Other Deductions.....	64,517,763	11,695,654	61,063	—	—	76,274,480
TRANSFERS:						
Operating Transfers In—Primary Government.....	14,784,183	86,817	—	—	—	14,871,000
Net Increase (Decrease) in Fund Balances.....	\$ 517,121	\$ —	\$ (44,814)	\$ 501,343	\$ 592,973	1,566,623
Fund Balances—Beginning of Year.....						16,007,500
Fund Balances—End of Year.....						\$ 17,574,123

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2001

NOTE 1

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, except as described in Note 2 below. 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 (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 (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 (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 (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 general purpose 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
19 Bradhurst Avenue
Valhalla, New York 10595

B. Basis of Presentation

The accounts of the County are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, liabilities, fund balances/retained earnings, 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. Account groups are a reporting device to account for certain assets and liabilities of governmental funds not recorded directly in those funds. The County's resources are reflected in the financial statements in five generic fund types within three broad fund categories as well as two account groups, in accordance with generally accepted accounting principles as follows:

1. 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.

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.

Special Revenue Funds - Special revenue funds are established to account for the proceeds of specific revenue sources (other than proprietary or capital projects) that are legally restricted to expenditures for certain defined purposes. The special revenue funds of the County are as follows:

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

♦ **Sewer Districts Fund** - The Sewer Districts Fund is used to account for the operations of the County's sewer districts.

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

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

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

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.

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. The County applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989 in accounting and reporting for its proprietary operations.

c. Fiduciary Funds - Fiduciary Funds are used to account for assets held by the County in a trustee or custodial capacity. Fiduciary funds include Trust and Agency Funds which account for assets held by the County on behalf of others.

2. Account Groups

Account groups are used to establish accounting control and accountability for the County's general fixed assets and general long-term debt.

General Fixed Assets Account Group - This account group is established to account for all fixed assets not accounted for in proprietary fund types.

General Long-Term Debt Account Group - This account group is established to account for all long-term obligations that are not a specific liability of the proprietary fund types.

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types are presented using the flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheets. Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. The reported unreserved fund balance is a measure of "available spendable resources".

Proprietary funds are accounted for on the flow of economic resources measurement focus. This measurement focus emphasizes the determination of net income. With this measurement focus, all assets and liabilities (whether current or non-current) associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets. The reported fund equity (net total assets) may be segregated into contributed capital and fund balance/retained earnings components.

The Trust and Agency Funds are custodial in nature and do not measure results of operations or have a measurement focus.

The modified accrual basis of accounting is followed in the governmental fund types and trust and agency funds. Under the modified accrual basis of accounting, revenues are recorded in the accounting period in which they are "measurable" and "available" to finance current operations. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The treatment of certain revenues is at variance with generally accepted accounting principles (see Note 2).

GASB has specified the principles to be used in the recognition of real property tax revenue. These principles provide that real property taxes be recognized as revenue only when received in cash during the current period, or soon enough thereafter to be "available" to meet the

obligations of the current period. The term "available" has been limited to a period not to exceed sixty days subsequent to the end of the fiscal year unless unusual circumstances are present. Revenues susceptible to accrual include real property taxes, sales taxes, expenditure reimbursement type grants, services to other governments and intergovernmental revenues. Permits, fees and other similar revenues are not susceptible to accrual because generally they are not measurable until they are received in cash.

Expenditures, under the modified accrual basis, are generally recognized when the related fund liability is incurred. Exceptions to this general rule are (1) unmatured principal and interest on general long-term debt which is recognized as an expenditure when due, (2) interest on short-term debt which is recognized as an expenditure when due, (3) compensated absences which are charged as expenditures when paid and recorded in the General Long-Term Debt Account Group, (4) certain solid waste landfill closure and post-closure care costs which are charged to expenditures when paid and recorded in the General Long-Term Debt Account Group and (5) certain payments to employee retirement systems which are recorded in the General Long-Term Debt Account Group and recognized as an expenditure when paid.

The accrual basis of accounting is followed in the proprietary funds. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded at the time liabilities are incurred.

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.

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 and such assets are reflected in the General Fixed Assets Account Group.

Net patient service revenue of WCHCC is reported at the estimated net realizable amounts from patients, third party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third party payors. Revenues received by WCHCC under cost reimbursement agreements and prospective contractual agreements represent a substantial portion of WCHCC revenues and are subject to audit and possible adjustment by third party reimbursement agencies. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. WCHCC cost reports have been audited through December 31, 1999.

D. 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, except as described in Note 2. 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.

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.

E. Encumbrances

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.

F. Assets, Liabilities and Fund Equity

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 one year.

The County utilizes a pooled investment concept for all governmental funds to facilitate its investment program. Investment income from this pooling is allocated to the respective funds based upon the sources of funds invested.

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 within 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

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. (See Note 2.)

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, 2001, balances of interfund amounts receivable or payable have been recorded.

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 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 charges represent the first installment of the sponsor contribution payable to the College for its 2001-2002 fiscal year. Installment payments are due to the College on October 15th and every month from January through September of its fiscal year as directed by the County Board of Legislators. The sponsor contribution is budgeted in its entirety for the calendar year of the General Fund which immediately follows the commencement of the College's fiscal year.

Prepaid Expenditure

Prepaid expenditures consist of employee retirement costs which have been satisfied prior to the end of the fiscal year, but represent items which have been provided for in the subsequent year's budget and will benefit such periods. Reported amounts 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.

Fixed Assets

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than in governmental funds and are valued at historical cost or estimated historical cost if actual cost is not available. Donated

assets are recorded at their fair market value on the date donated. No provision for depreciation is made on general fixed assets. Interest incurred during construction is not capitalized on general fixed assets. Public domain (infrastructure) general fixed assets consisting of certain improvements other than buildings including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are excluded from general fixed assets since such items are immovable and are of value only to the County.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not included in the General Fixed Assets Account Group or capitalized in the proprietary funds.

Fixed assets in the applicable component units are stated at cost. Donated assets are recorded at their fair market value on the date donated. Interest cost incurred on borrowed funds, net of interest earned, is capitalized during the period of construction. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, which generally conform to those recommended by the American Hospital Association.

Deferred Revenues

Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The County has reported State aid, tuition and other items in the component units as deferred revenues. Such amounts have been deemed to be measurable but not "available" pursuant to generally accepted accounting principles.

Long-Term Obligations

The County records long-term debt of governmental funds at face value in the General Long-Term Debt Account Group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the General Long-Term Debt Account Group. Long-term debt and other liabilities financed by proprietary funds are reported as liabilities within those funds.

Compensated Absences

Vested or accumulated sick and vacation leave of governmental funds that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the respective fund that will pay it. Amounts of vested or accumulated sick and vacation leave of governmental funds that are not expected to be liquidated with expendable available financial resources are reported in the General Long-Term Debt Account Group. No expenditure has been reported for these amounts. In accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights

to receive sick pay benefits. The liability for compensated absences includes salary related benefits, when applicable.

Contributed Capital

Contributed capital represents land conveyed by the County to the IDA for the Austin Avenue Development in Yonkers.

Retained Earnings

Retained earnings represent the equity generated from operations of proprietary fund types.

Fund Balance - Reserves and Designations

Portions of fund balance are segregated for future use and are therefore not available for future appropriation or expenditure. Amounts reserved represent portions of fund balance which 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. The undesignated fund balance indicates that portion of fund balance which is available for budgeting in future periods.

G. Interfund Transactions

Quasi-external transactions are accounted for as revenues or expenditures/expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

H. Comparative Data

Comparative total data for the prior year have been presented in the accompanying combined financial statements in order to provide an understanding of changes in the County's financial position and operations.

I. Total Columns in General Purpose Financial Statements

Total columns in the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

J. Use of Estimates

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 those estimates.

NOTE 2

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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 2001 was \$1,151,165,179, which exceeded the actual levy by \$812,839,749.

Departure from Generally Accepted Accounting Principles

The accompanying financial statements have been prepared on a basis consistent with the budgetary and accounting policies of the County. However, these policies differ from generally accepted accounting principles as prescribed for state and local governmental units with respect to the recognition of certain revenues.

The County generally recognizes revenue, with the exception of certain sales tax, tobacco revenue settlement repayment and hotel tax, in the accounting period when it is "measurable" and "available" to finance current operations.

If the County had adhered to generally accepted accounting principles, the 2001 General Fund revenues would have increased by \$797,705 and the fund balance would have increased by \$10,158,111.

Residual Equity Transfer

The County, in prior years, issued indebtedness to purchase certain equipment for the E-911 Computer Aided Dispatch System. The debt service costs associated with this indebtedness were previously charged to the General Fund. An Opinion from the New York State Comptroller provides that surplus surcharge revenue may be used to finance the indebtedness. Accordingly, the County, in fiscal 2001, determined that \$1,462,481, representing debt service costs for the fiscal years 1993 through 2000, should have been charged to the E-911 grant accounted for in the Grants Fund. This amount has been transferred from the Grants Fund to the General Fund in fiscal 2001 to effectuate reimbursement. This transaction has been reflected as a residual equity transfer.

Restatement

The County, in prior years, generally recognized revenue, with the exception of State and Federal reimbursements of the Department of Social Services and for the Education and Transportation Program for Handicapped Children in the Health Department, on the cash basis, but generally included four quarters or twelve months of revenue in each category. For the 2001 fiscal year end, the County has elected to modify its principles with respect to certain revenues to more closely conform with generally accepted accounting principles. Accordingly, the fund balance of the General Fund has been increased by \$4,107,636 to reflect those selected revenues received in 2001 which were applicable to the 2000 fiscal year end.

Invoices from the New York State Retirement System are payable in December and cover the period through the subsequent March 31st. The County previously accounted for the subsequent year's portion as expenditures in the year paid. The County, in fiscal 2001, has elected to conform with generally accepted accounting principles and reflect those amounts paid in advance as a prepaid expenditure. A fund balance reserve has been established for the amounts reflected as a prepaid expenditure as of December 31, 2001. The amount included as a restatement of \$271,585 represents the amount that would have been reflected as a prepaid expenditure as of December 31, 2000.

NOTE 3

DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Assets

Deposits

The carrying amount of the primary government's deposits, inclusive of non-negotiable certificates of deposit of \$22,115,123 at December 31, 2001 was \$62,285,308, exclusive of petty and departmental cash of \$52,555. This amount includes \$14,870,778 of deposits reflected as restricted investments on the balance sheet. The bank balance was \$80,196,933. Of the bank balance, \$1,200,000 was covered by Federal deposit insurance, \$46,095,844 was covered by collateral held by the County's agent, a third party financial institution, in the County's name and \$32,901,089 was covered by collateral held in the trust department of the pledging financial institution in the County's name.

The carrying amounts, including non-negotiable certificates of deposit of \$25,959,078 reflected as investments on the balance sheet at December 31, 2001, bank balances and collateral of the component units are detailed below. These amounts are exclusive of petty cash of \$1,835 in the College.

	<u>College</u>	<u>Utility Agency</u>	<u>IDA</u>
Carrying amount	\$ 31,231,027	\$ 558,345	\$ 2,557,529
Bank balance	\$ 32,614,183	\$ 814,079	\$ 2,557,529
Collateral:			
Amounts insured by FDIC	\$ 264,923	\$ —	\$ —
Collateral held by the entity's agent, a third party financial institution, in the entity's name	32,349,260	814,079	2,557,529
	<u>\$ 32,614,183</u>	<u>\$ 814,079</u>	<u>\$ 2,557,529</u>

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, 2001 were:

<u>Fund/Component Unit</u>	<u>Certificates of Deposit</u>	<u>Repurchase Agreements</u>	<u>U.S. Treasury Obligations</u>	<u>Fair Value</u>
Unrestricted:				
General Fund	\$ —	\$ 104,300,000	\$ 23,959,000	\$ 128,259,000
Special Revenue Funds	—	—	100,000,000	100,000,000
Capital Projects Fund	—	—	88,712,352	88,712,352
Internal Service Funds	—	—	57,995,651	57,995,651
	—	104,300,000	270,667,003	374,967,003
Component Unit:				
College	25,889,078	3,788,460	—	29,677,538
Utility Agency	70,000	—	—	70,000
Total	<u>\$ 25,959,078</u>	<u>\$ 108,088,460</u>	<u>\$ 270,667,003</u>	<u>\$ 404,714,541</u>

The repurchase agreements are collateralized by the underlying investment held by the County's/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.

Due From/To Other Funds

The balances reflected as due from/to other funds at December 31, 2001 were as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 43,537	\$ 61,644,852
Refuse Disposal District Fund	5,429,047	—
Sewer Districts Fund	3,780,144	—
Water Districts Fund	1,787,659	—
Airport Fund	3,325,820	—
Grants Fund	7,304,922	—
Capital Projects Fund	7,508,479	—
Health Insurance Fund	5,623,528	—
Insurance Reserve Fund	2,270,891	—
Workers' Compensation Reserve Fund	—	43,537
Trust and Agency Fund	24,614,362	—
	<u>\$ 61,688,389</u>	<u>\$ 61,688,389</u>

Restricted Investments

The restricted investments of the primary government of \$53,188,123 consist of investments in U.S. Treasury Obligations of \$38,317,345 and deposits of \$14,870,778. Of the total restricted investments, \$49,083,094 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 \$4,105,029 is restricted to operate the Patterson Estate Property. The restricted investments of the College of \$5,325,000 consist of investments in U.S. Treasury Obligations and are restricted to use for certain College purposes. The U.S. Treasury Obligations are insured or registered and are held by the County's/College's agent, a third party financial institution, in the County's/College's name.

General Fixed Assets

Changes in general fixed assets during 2001 were as follows:

<u>Category</u>	<u>Balance January 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2001</u>
Land	\$ 128,759,329	\$ 13,149,419	\$ —	\$ 141,908,748
Buildings	414,262,037	19,273,407	—	433,535,444
Improvements	1,091,078,009	66,237,092	—	1,157,315,101
Machinery and equipment	145,225,272	9,418,298	6,775,000	147,868,570
Construction-in-progress	<u>50,526,730</u>	<u>5,264,912</u>	<u>—</u>	<u>55,791,642</u>
	<u>\$ 1,829,851,377</u>	<u>\$ 113,343,128</u>	<u>\$ 6,775,000</u>	<u>\$ 1,936,419,505</u>

Fixed Assets - Component Units

The fixed assets of the component units at December 31, 2001 are comprised of the following:

	<u>WCHCC</u>	<u>College</u>	<u>IDA</u>
Land	\$ 5,542,538	\$ —	\$ 1,100,000
Buildings	162,524,688	—	—
Machinery and equipment	158,358,217	10,872,646	—
Construction-in-progress	<u>46,123,433</u>	<u>—</u>	<u>—</u>
	372,548,876	10,872,646	1,100,000
Accumulated Depreciation	<u>(218,735,469)</u>	<u>—</u>	<u>—</u>
	<u>\$ 153,813,407</u>	<u>\$ 10,872,646</u>	<u>\$ 1,100,000</u>

B. Liabilities

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 computation. 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. Claim liabilities at December 31, 2001 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:

<u>Fiscal 2001</u>	<u>Health Insurance</u>	<u>Insurance Reserve</u>	<u>Workers' Compensation</u>
Unpaid claims - Beginning of Year	\$ 12,389,340	\$ 26,759,392	\$ 11,554,529
Incurred claims including IBNR's	78,091,057	11,233,427	5,007,982
Claims paid	<u>(72,722,111)</u>	<u>(11,543,621)</u>	<u>(4,726,350)</u>
Unpaid claims - End of Year	<u>\$ 17,758,286</u>	<u>\$ 26,449,198</u>	<u>\$ 11,836,161</u>
<u>Fiscal 2000</u>	<u>Health Insurance</u>	<u>Insurance Reserve</u>	<u>Workers' Compensation</u>
Unpaid claims - Beginning of Year	\$ 9,419,803	\$ 23,263,984	\$ 10,687,000
Incurred claims including IBNR's	67,737,490	10,013,785	5,659,471
Claims paid	<u>(64,767,953)</u>	<u>(6,518,377)</u>	<u>(4,791,942)</u>
Unpaid claims - End of Year	<u>\$ 12,389,340</u>	<u>\$ 26,759,392</u>	<u>\$ 11,554,529</u>

Short-Term Indebtedness

Notes Payable - Component Unit

In 2001, WCHCC obtained \$75,000,000 in taxable commercial paper through Goldman Sachs. The outstanding balance as of December 31, 2001 is \$45,000,000 and bears an interest rate of 2%.

Bond Anticipation Notes Payable - Primary Government

The following bond anticipation notes appear as obligations of the Capital Projects Fund and were outstanding at December 31, 2001:

<u>Purpose</u>	<u>Year of Original Issue</u>	<u>Amount Outstanding</u>
Sewer Projects	2000	\$ 8,476,846
Sewer Projects	2001	35,834,156
Sewer Projects	2001	<u>20,278,086</u>
		<u>\$64,589,088</u>

The above notes were issued by the Environmental Facilities Corporation as part of their short-term note program. This program permits municipalities to finance, during construction, accepted sewer projects at no interest cost.

Liabilities for bond anticipation notes are generally accounted for in the Capital Projects Fund. Bond anticipation notes issued for judgments or settled claims are recorded in the fund paying the claim. Principal payments on bond anticipation notes must be made annually. State law requires that bond anticipation notes issued for capital purposes or judgments 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.

Long-Term Indebtedness

The changes in the primary government's long-term indebtedness during the year ended December 31, 2001 are summarized as follows:

	Balance January 1, 2001	Additions	Reductions	Balance December 31, 2001
Bonds Payable:				
General Government	\$ 367,345,880	\$ 76,702,955	\$ 48,293,522	\$ 395,755,313
Sewer Districts	113,598,870	17,635,675	22,530,641	108,703,904
Water Districts	4,847,000	—	280,000	4,567,000
Refuse Disposal District	<u>23,360,710</u>	<u>2,080,000</u>	<u>2,834,596</u>	<u>22,606,114</u>
	509,152,460	96,418,630	73,938,759	531,632,331
Compensated Absences	25,600,000	—	1,400,000	24,200,000
Landfill Post-Closure Costs	16,789,000	—	151,000	16,638,000
New York State Retirement	<u>—</u>	<u>531,554</u>	<u>—</u>	<u>531,554</u>
Totals	<u>\$ 551,541,460</u>	<u>\$ 96,950,184</u>	<u>\$ 75,489,759</u>	<u>\$ 573,001,885</u>

Additions and reductions to compensated absences are shown net since it is impractical to determine these amounts separately.

Bonds Payable

Bonds payable at December 31, 2001 are comprised of the following individual issues:

\$67,000,000—1982 Bonds for Jail and Penitentiary, County buildings, and the New Rochelle Sewer District, due in October 2002; interest at 7.50%.....	\$ 450,000
\$43,575,000—1983 Bonds for County buildings and improvements, Laboratories and Research building, Yonkers Joint Treatment Plant and the Ossining, Port Chester, New Rochelle, Blind Brook, Mamaroneck Valley and Saw Mill Valley Sewer Districts, due in annual installments each November as follows: \$945,000 in 2002 and \$879,000 in 2003; interest at 8.375%	1,824,000
\$83,140,000—1985 Bonds for County buildings and improvements, County transportation facilities, the Port Chester, Blind Brook, Hutchinson Valley and Mamaroneck Valley Sewer Districts and the North Yonkers Pumping Station, due in annual installments each December as follows: \$1,239,000 in 2002, \$1,235,000 in 2003, \$1,284,000 in 2004 and \$510,000 in 2005; interest at 7.10%	4,268,000
\$32,215,000—1986 Bonds for improvements to Laboratories and Research building, improvements to County Jail and Penitentiary, County infrastructure improvements and the New Rochelle and Port Chester Sewer Districts, due in annual installments each December as follows: \$700,000 in 2002 and 2003, \$701,000 in 2004 and \$625,000 in 2005 and 2006; interest at 5.60%	3,351,000
\$23,185,000—1987 Bonds for Grasslands Reservation, County office buildings, recreational and bridge improvements, construction and/or partial reconstruction of youth detention facilities, County correctional complex, County airport electrical system, New Rochelle Sewer District and North Yonkers Pumping Station, due in annual installments each December as follows: \$790,000 in 2002 and \$380,000 in 2003 through 2007; interest at 6.80%	2,690,000

\$35,700,000—1988 Bonds for improvements to the Grasslands Reservation, County infrastructure, recreation facilities, construction or partial reconstruction of DPW facility, youth detention center, County correctional complex and Mamaroneck Sewer District facilities, due in annual installments each November as follows: \$1,392,000 in 2002 and 2003 and \$1,225,000 in 2004 through 2008; interest at 6.70%	8,909,000
\$96,600,000—1989 Bonds for the construction and partial reconstruction of the County correctional facility, construction of infrastructure at Grasslands, rehabilitation of County garage and low-rise building, parkland acquisitions, Refuse Disposal District and Mamaroneck Valley Sewer District facilities, due in annual installments each November as follows: \$4,009,000 in 2002 and 2003, \$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.....	29,924,000
\$75,000,000—1990 Series A Bonds for Mamaroneck Valley Sewer District, County correctional facility, County buildings, Playland, Refuse Disposal District and Public Safety, due in annual installments each February as follows: \$3,407,000 in 2002 and 2003, \$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	24,895,000
\$23,500,000—1990 Series B Bonds for County correctional facility, County office building, Lafayette Bridge and Glen Island Park, due in annual installments each May as follows: \$1,000,000 in 2002 through 2005, \$890,000 in 2006, \$790,000 in 2007 through 2009 and \$780,000 in 2010; interest at 6.60%,	8,040,000
\$48,025,000—1991 Series A Bonds for the partial advance refunding of the County's 1989 and 1990 Series A General Obligation Bonds for the construction of certain improvements to relieve combined sewer overflow at the Yonkers Joint Treatment Plant, the upgrading and replacement of certain equipment at the Yonkers Joint Treatment Plant and the Hutchinson Pump Station, construction of dewatering facility at the Yonkers Joint Treatment Plant, to refund the County's bond anticipation notes, to finance the upgrading and expansion of the Mamaroneck Valley Sewer District Waste Water Treatment Plant, due in annual installments each September as follows: \$2,245,000 in 2002 through 2004, \$2,235,000 in 2005 through 2009, \$1,925,000 in 2010 and \$1,910,000 in 2011; interest at rates from 6.00% to 6.40%, depending upon maturity	21,745,000
\$63,635,000—1991 Series B Bonds for construction of and/or improvements to Mamaroneck Valley Sewer District, County facilities, Playland and Glen Island Park, parking facilities, Airport infrastructure and terminal, bridge improvements and bus facilities, due in annual installments each September as follows: \$2,022,000 in 2002, \$1,992,000 in 2003, \$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%.....	15,835,000
\$53,000,000—1992 Series B Bonds for property acquisitions, construction of Materials Recovery Facility, improvements to the Sprout Brook Residue Disposal and Cortlandt housing, due in annual installments each December as follows: \$4,000 in 2002 through 2006; interest at 5.50%	20,000

\$39,150,000—1993 Series A Bonds for acquisition of land and buildings, improvements to and expansion of the Amawalk Treatment Plant, reconstruction of buildings, roads and bridges, construction of parking facilities at the County Jail, construction of County Jail, improvements to Playland and Georges Island Park and affordable housing, due in annual installments each December as follows: \$2,051,000 in 2002, \$1,892,000 in 2003 through 2005, \$1,882,000 in 2006, \$1,792,000 in 2007, \$1,445,000 in 2008 through 2011 and \$1,440,000 in 2012; interest at rates from 4.65% to 5.30%, depending upon maturity	18,621,000
\$36,350,000—1993 Series B Bonds for acquisition of land and buildings for Social Services, acquisition of and improvements to various parks, acquisition and renovation/relocation of County office buildings, construction of jail and infrastructure, reconstruction of lower Bronx River Parkway, Airport, taxiway improvements, Playland ride acquisition, design and reconstruction of roads and bridges, acquisition of computer aided dispatch system for Fire Training Center and acquisition of land and demolition of building for County Center parking, due in annual installments each December as follows: \$1,449,000 in 2002, \$1,279,000 in 2003, \$1,274,000 in 2004 and 2005, \$1,269,000 in 2006, \$1,169,000 in 2007, \$879,000 in 2008 and 2009, \$880,000 in 2010, \$876,000 in 2011, \$875,000 in 2012 and \$390,000 in 2013; interest at 4.30%	12,493,000
\$41,687,402—1994 Series A Bonds for Airport terminal modernization, sewer upgrade, acquisition of or improvements to County buildings and land, reconstruction of or improvements to various County roads and bridges, construction, reconstruction, acquisition of or improvements to various County parks, College's Children's Center, and Yonkers Joint Treatment Plant equipment acquisition, acquisition of fuel oil tanks, energy conservation, equipment reinforcement and mechanical replacement, due in annual installments each November as follows: \$299,624 in 2002, \$347,582 in 2003, \$1,632,854 in 2004, \$285,285 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 \$171,210 in 2014; interest at rates from 5.65% to 6.60%, depending upon maturity	4,853,492
\$9,280,000—1994 Series B Bonds for Airport terminal modernization, due in annual installments each November as follows: \$465,000 in 2002 through 2010 and \$460,000 in 2011 through 2014; interest at rates from 5.90% to 6.85%, depending upon maturity	6,025,000
\$62,450,000—1995 Series A Bonds for the construction, reconstruction and improvements to various County roads and bridges, improvements to various County parks, improvements to and acquisition of Playland rides and facilities, improvements to and renovations of Vernon Plaza and the Coachman Hotel, improvements to the College, disabled access and construction of a children's center, conversion of burners, oil tank testing and replacement, housing implementation fund various sites, improvements to the County Jail, improvements to or reconstruction of various County parking facilities, reconstruction of the lower Bronx River Parkway and Yonkers Joint Treatment Plant performance maintenance, due in annual installments each December as follows: \$274,000 in 2002 through 2004, \$2,094,000 in 2005, \$1,321,000 in 2006 and 2007, \$1,136,000 in 2008, \$1,056,000 in 2009 and 2010, \$567,000 in 2011 through 2013 and \$552,000 in 2014 and 2015; interest at rates from 4.60% to 4.75%, depending upon maturity	11,611,000
\$9,995,000—1995 Series B Bonds for the construction of the Airport Terminal and improvements to the electrical systems, access roads, fuel distribution and cargo area, due in annual installments each December as follows: \$540,000 in 2002 through 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.....	6,755,000

\$59,505,000—1996 Bonds for improvements and/or renovations to County buildings, parks, highways, bridges, Jail, County Center, Bronx River Parkway, Refuse Disposal District, expansion of WCC library and children's center, bus rehabilitation and structural repairs to and/or equipment acquisition for the Ossining and New Rochelle Sewer facilities, due in annual installments each November as follows: \$2,010,000 in 2002, \$2,005,000 in 2003, \$1,906,000 in 2004 and 2005, \$1,806,000 in 2006, \$1,468,000 in 2007, \$1,460,000 in 2008, \$1,461,000 in 2009, \$1,456,000 in 2010, \$1,348,000 in 2011, \$724,000 in 2012 through 2015 and \$644,000 in 2016; interest at rates from 4.70% to 4.75%, depending upon maturity	20,366,000
\$20,510,000—1997 Series A Bonds for the construction/rehabilitation or automation of the Yonkers Joint Treatment Plant, the North Yonkers Pump Station and the New Rochelle, Blind Brook, Ossining, Port Chester, Mamaroneck and Peekskill Sewer Districts, due in annual installments each December as follows: \$845,000 in 2002 and \$840,000 in 2003 through 2016; interest at rates from 4.50% to 5.65%, depending upon maturity	12,605,000
\$1,455,000—1997 Series B Bonds for the partial refunding of the County's 1994 General Obligation Bonds for the North Yonkers Pump Station modifications, due in annual installments each June as follows: \$75,000 in 2002, \$80,000 in 2003 through 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	1,150,000
\$13,970,000—1997 Series C Bonds for the partial refunding of the County's 1992 Series B, 1993 Series B and 1995 General Obligation Bonds for New Rochelle Wastewater Treatment Plant improvements, Yonkers Joint Treatment Plant performance maintenance, Combined Sewerage Overflow Phases 4 and 5, Blind Brook power upgrade, North Yonkers Pump Station modifications, and Ossining Sewer District high speed centrifuge, due in annual installments each December as follows: \$835,000 in 2002, \$820,000 in 2003, \$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 4.30% to 5.30%, depending upon maturity	9,385,000
\$82,980,000—1997 Series D Bonds for odor control, performance maintenance, rehabilitation and automation of various County sewer facilities, reconstruction, repaving and rehabilitation of County roads and bridges, acquisition of research equipment for, and expansion of, the Department of Laboratories and Research, design of annex and rehabilitation of the County Court House, improvements to County golf courses, Saxon Woods Pool and Glen Island infrastructure, conversion of burners at the central heating plant, utility reinforcement and ADA renovations at Grasslands, Fire Training Center renovations, modernization of maintenance facilities, bus acquisition and bus mini-terminals, Playland rides, Colonnade music tower, bathhouse, picnic, infrastructure improvements/reconstruction, improvements to Water District No. 2, repairs to the Water District No. 3 Pump Station, College infrastructure improvements, asbestos removal, roof replacement, waterproofing, and utility drainage, County Jail life safety and infrastructure improvements, rehabilitation of runways and water supply system and development of a storm management plan at the County Airport and Bronx River Parkway viaduct rehabilitation, due in annual installments each November as follows: \$5,287,000 in 2002, \$2,540,000 in 2003, \$2,535,000 in 2004, \$2,485,000 in 2005, \$2,460,000 in 2006, \$2,251,000 in 2007, \$1,704,000 in 2008 and 2009, \$1,699,000 in 2010, \$1,680,000 in 2011, \$1,498,000 in 2012, \$1,093,000 in 2013 and 2014, \$1,068,000 in 2015, \$1,055,000 in 2016 and \$940,000 in 2017; interest at 4.625%	31,092,000

<p>\$56,375,000—1998 Series A Bonds for the purchase of a bus maintenance facility, improvements, construction, and reconstruction of various County roads and bridges, airport terminal, runway rehabilitation and storm water management, building repairs, steam pipe replacement, utility reinforcement, improvements to and rehabilitation of various County parks and golf courses, Year 2000 software conversion, equipment for and expansion of Laboratories and Research, apparatus and equipment purchase for the Refuse Disposal District, Westnet and office automation, oil tank testing and replacement, life safety for the Department of Corrections, Courthouse rehabilitation, housing implementation and GIS system, College mechanical work, traffic site, utility and drainage infrastructure improvements, due in annual installments each November as follows: \$5,420,000 in 2002, \$5,250,000 in 2003, \$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, \$1,745,000 in 2010, \$1,700,000 in 2011, \$1,530,000 in 2012, \$1,480,000 in 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</p>	39,695,000
<p>\$74,240,000—1998 Series B Refunding Bonds for the partial advance refunding of County Bonds originally issued in the 1992A, 1992B, 1994 and 1995 bond issues, due in annual installments each November as follows: \$8,376,223 in 2002, \$8,061,223 in 2003, \$6,306,223 in 2004, \$5,435,023 in 2005, \$4,890,024 in 2006, \$3,081,223 in 2007, \$2,211,223 in 2008, \$2,180,023 in 2009, \$2,010,024 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</p>	46,196,209
<p>\$55,480,000—1999 Bonds for Information Technology including Y2K conversion; acquisition of land for parks and recreation, rehabilitation of or improvements to County roads and bridges, County buildings, park facilities, the Bronx River Parkway, sewer districts and the County Airport, housing implementation and acquisition of Paratransit vehicles, due in annual installments each November as follows: \$5,895,000 in 2002, \$5,795,000 in 2003, \$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, \$1,935,000 in 2010 and 2011, \$1,765,000 in 2012 and 2013, \$1,395,000 in 2014, \$1,060,000 in 2015 through 2017, \$1,030,000 in 2018, and \$1,010,000 in 2019; interest at rates from 5.00% to 5.25%, depending upon maturity.....</p>	43,280,000
<p>\$2,200,000—2000 Series A Bonds for the extension of the Saw Mill Sewer District sewer lines and for the North Yonkers Pump Station modifications, due in annual installments each December as follows: \$110,000 in 2002 through 2019; interest at rates from 4.65% to 5.96%, depending upon maturity</p>	1,980,000
<p>\$7,485,000—2000 Series B Bonds for the rehabilitation of the Mamaroneck and Blind Brook Sewer Districts, the Bronx Valley Sewer District and the Ossining Sewer District Pump Stations' rehabilitation and the Refuse Disposal District cell closure, due in annual installments each July as follows: \$400,000 in 2002 through 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 4.60% to 5.742%, depending upon maturity</p>	7,085,000

<p>\$46,560,000—2000 Series C Bonds for reconstruction and improvements to various county roads, information technology, image management and computer purchases, the acquisition of 143 Grand Street, College Library expansion, roof replacement and drainage improvements, renovation of County offices in Mount Vernon, infrastructure repairs, equipment reinforcement and roof repairs to various County buildings, Bronx River Parkway repaving, pond rehabilitation, signage and bridge repair, AC chloroflourocarbon replacement, improvements to various County parks, Playland and golf course improvements, Laboratories and Research renovations and equipment acquisition, the purchase of land and shuttle buses, improvements to the Refuse Disposal District MRF, Corrections infrastructure improvements, the purchase of heavy equipment and rehabilitation of the Fire Training Center's main building, due in annual installments each November as follows: \$5,295,000 in 2002, \$5,285,000 in 2003, \$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, \$1,745,000 in 2012, \$1,680,000 in 2013, \$1,535,000 in 2014, \$1,505,000 in 2015, \$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</p>	41,085,000
<p>\$5,986,860—2001 Series A Bonds for rehabilitation of the Blind Brook and New Rochelle pump stations, Yonkers Joint Treatment Plant gas burner and rehabilitation of sewer lines, due in annual installments each November as follows: \$296,860 in 2002, \$305,000 in 2003 and 2004, \$300,000 in 2005 through 2015 and \$295,000 in 2016 through 2020; interest at rates from 3.43% to 5.13%, depending upon maturity</p>	5,681,860
<p>\$1,413,940—2001 Series B Bonds for the partial refunding of the County's 1996 General Obligation Bonds for the rehabilitation of pump stations in the Peekskill and Saw Mill Sewer Districts, due in annual installments each November as follows: \$110,000 in 2002, \$98,940 in 2003, \$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 2.644% to 4.894%, depending upon maturity</p>	1,328,940
<p>\$8,089,638—2001 Series C Bonds for the partial advance refunding of the County's 1997D General Obligation Bonds for the Blind Brook, New Rochelle, Ossining, Peekskill, Port Chester and Saw Mill Sewer Districts, North Yonkers Pump Station and the Yonkers Joint Treatment Plant, due in annual installments each November as follows: \$610,000 in 2002, \$544,638 in 2003, \$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 2.644% to 4.954%, depending upon maturity</p>	7,614,638
<p>\$377,955—2001 Series D Bonds for the partial advance refunding of the County's 1999 General Obligation Bonds for the Department of Environmental Facilities, due in annual installments each May as follows: \$15,000 in 2002, \$12,955 in 2003, \$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 2.619% to 5.104%, depending upon maturity</p>	377,955
<p>\$2,925,237—2001 Series E Bonds for the Ossining, Peekskill and Port Chester Sewer Districts and the Department of Environmental Facilities, due in annual installments each November as follows: \$150,000 in 2002, \$140,237 in 2003, \$150,000 in 2004 through 2011, \$145,000 in 2012 through 2016 and \$140,000 in 2017 through 2020; interest at rates from 2.644% to 5.514%, depending upon maturity</p>	2,775,237

\$77,625,000—2001 Series F Bonds for the construction/reconstruction of the Jail, improvements to the Valhalla Campus, reconstruction of County Office buildings, storm damage, computer equipment for the County Clerk, Land acquisitions, public safety improvements, golf course construction, improvements to County parks, information technology upgrades, improvements/reconstruction of County roads and bridges, Playland, Refuse Disposal District equipment acquisition, additions to the College system, equipment acquisition for Laboratories and Research and the Airport, due in annual installments each November as follows: \$7,420,000 in 2002, \$7,415,000 in 2003, \$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 3.00% to 4.50%, depending upon maturity	<u>77,625,000</u>
TOTAL	<u>\$531,632,331</u>

The annual requirements to amortize all bonded debt outstanding as of December 31, 2001 including interest payments of \$160,854,546 are as follows:

Year Ended	General Government	Refuse Disposal District Fund	Sewer Districts Fund	Water Districts Fund	Airport Fund	Total
2002	\$ 66,934,912	\$ 2,864,170	\$ 17,076,671	\$ 459,845	\$ 4,364,296	\$ 91,699,894
2003	60,196,111	3,046,701	16,185,330	457,560	4,066,404	83,952,106
2004	52,045,820	2,685,454	15,024,371	452,902	3,938,289	74,146,836
2005	44,396,472	2,863,191	14,182,633	434,374	3,860,647	65,737,317
2006	39,360,548	2,737,942	13,183,616	429,193	3,474,055	59,185,354
2007-2011	132,114,054	10,659,486	50,553,716	2,084,332	11,230,724	206,642,312
2012-2016	59,903,584	4,639,292	16,729,495	818,219	4,756,359	86,846,949
2017-2021	<u>19,307,886</u>	<u>1,328,014</u>	<u>3,333,824</u>	<u>104,460</u>	<u>201,925</u>	<u>24,276,109</u>
	<u>\$ 474,259,387</u>	<u>\$ 30,824,250</u>	<u>\$146,269,656</u>	<u>\$ 5,240,885</u>	<u>\$ 35,892,699</u>	<u>\$ 692,486,877</u>

The above general obligation bonds 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. The "Amount to be Provided for General Long-Term Debt" represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of long-term liabilities.

Advance Refunding

On July 26, 2001, the County issued \$9,881,533 of Refunding Bonds (2001B, C and D) through the New York State Environmental Facilities Corporation to advance refund portions of the County's 1996, 1997D and 1999 bond issues, refunding \$1,374,000, \$7,932,000 and \$360,000, respectively. The bond proceeds (exclusive of issuance costs) of the 2001B, C and D issues were placed into an irrevocable trust to provide for all future debt service payments on the refunded bonds. On November 15, 2001 principal amounts of \$84,000 of the 1996 Bonds, and \$481,000 of 1997D Bonds were redeemed from the refunded bond's trust. 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, 2001, \$9,101,000 of these bonds outstanding is considered to be defeased.

The County advance refunded portions of the 1996, 1997D and 1999 bond issues to reduce its total debt service payments over 18 years by \$1,730,636 and to obtain a net present value economic gain of \$1,284,110.

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, 2001, \$36,993,131 of prior refunded bonds outstanding is considered defeased.

Bonds Payable—Component Unit

In 2000, WCHCC participated in a bond offering dated November 1, 2000 relating to \$255,100,000

WCHCC Series 2000 Revenue Bonds consisting of \$113,240,000 Series 2000A Senior Lien with interest rates varying from 5.875% to 6%, \$91,310,000 Series 2000B Subordinate Lien (Westchester County guaranteed) with interest rates varying from 5% to 5.75%, \$47,575,000 Series 2000C-1 Tax Exempt - Subordinate Lien (Westchester County guaranteed) with interest rates varying from 5% to 5.375% and \$2,975,000 PARS Series 2000C-2 Subordinate Lien (Westchester County guaranteed). Net interest costs on borrowed funds during the period of construction of capital assets is capitalized as a component of the costs of construction. During 2001, interest expense of \$2,500,000 was capitalized.

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.

The following is a schedule, by years, of future principal payments on the 2000 revenue bonds as of December 31, 2001:

2002	\$ 500,000
2003	550,000
2004	2,000,000
2005	3,000,000
2006	5,285,000
Thereafter	<u>243,315,000</u>
	<u>\$ 254,650,000</u>

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 governmental funds' accumulated sick leave was approximately \$15,300,000 at December 31, 2001. This amount has been recorded in the General Long-Term Debt Account Group since it will be redeemed from future resources or budgets. 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 governmental funds' estimated vacation leave at December 31, 2001 was approximately \$8,900,000. This amount has been reflected in the General Long-Term Debt Account Group since it will be liquidated from future

resources or budgets. Accumulated sick and vacation leave of the component units have been recorded as expenses 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 as areas are filled. Current estimates for the costs to close and cover all areas at the landfill are \$6,500,000. The County anticipates funding this cost through the issuance of bonds. The estimated post-closure maintenance and monitoring functions will cost approximately \$10,138,000 over the years 2002 through 2037. The Refuse Disposal District will fund the post-closure operating costs through tipping fees and tax levies.

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, Governor Alfred E. Smith State Office Building, 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, 2002 are as follows:

	<u>Tier</u>	<u>GTLI</u>	<u>Regular</u>
ERS	1	.1 - .2 %	.5 - .6%
	2	.2	.6 - 7.6
	3	.2	.5 - .6
	4	.2	.5 - 1.3
PFRS	1	.1	—
	2	.1	—

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

	<u>ERS</u>			<u>PFRS</u>
	<u>Primary Government</u>	<u>College</u>	<u>WCHCC</u>	<u>Primary Government</u>
2001	\$ 3,344,667	\$ 47,624	\$ 1,585,000	\$ 21,167
2000	1,868,008	372,144	1,118,000	110,678
1999	1,663,871	312,597	930,000	148,854

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.

	<u>Amount</u>
General Fund	\$ 2,728,953
Special Revenue Funds	615,714
	<u>\$ 3,344,667</u>

Pursuant to Sections 63-c and 607-d of the Retirement and Social Security Law, the County has elected to participate in the optional performance of duty disability retirement benefit for certain County employees who are members of ERS. The benefit, upon the awarding of a performance of duty disability retirement, will be 75% of final average salary. The estimated cost for this program of \$279,426 has been recorded in the General Fund in the current year.

Pursuant to Chapter 47 of the Laws of 2001, the County has elected to participate in the 25 year retirement plan for certain County employees who are members of ERS. The County's cost for this program of \$100,000 has been recorded in the General Fund in the current year.

The County has opted to participate in a plan which provides benefits for eligible Tier 3 and Tier 4 criminal investigators. The cost for this program is \$616,645. The payment terms provide for repayment over a ten year period, with interest. The current year cost for this program was \$85,091 and this amount was charged to General Fund expenditures. The remaining liability for this program is \$531,554 and has been recorded in the General Long-Term Debt Account Group since it will be redeemed from future resources or budgets.

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, 2001 are as follows:

<u>Tiers</u>	<u>Regular</u>
1-4	.43%

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

	<u>TRS</u>
2001	\$ 50,905
2000	171,462
1999	278,024

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, 2001, the College incurred \$2,054,539 in pension costs under this Plan.

Post-Employment Health Care Benefits

In addition to providing pension benefits, the primary government and its College, IDA and WCHCC component units 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 these component units 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. During the 2001 fiscal year, \$23.1 million was incurred on behalf of approximately 3,800 retirees. This amount was recorded as expenditures/expenses in the respective funds.

C. Revenues, Expenditures and Operating Transfers

Operating Transfers

Operating transfers in and out by fund for the primary government and the College component unit for the year ended December 31, 2001 were as follows:

	Transfers In		Transfers Out	
	Primary Government	Component Unit	Primary Government	Component Unit
General Fund	\$ 3,369,632	\$ —	\$ 4,504,218	\$ 14,871,000
Refuse Disposal District	74,926	—	—	—
Sewer Districts Fund	4,237,039	—	425,276	—
Water Districts Fund	213,101	—	—	—
Airport Fund	321,432	—	2,340,000	—
Grant Funds	1,097,992	—	—	—
Capital Projects Fund	4,758,000	—	6,802,628	—
College	—	14,871,000	—	—
	<u>\$ 14,072,122</u>	<u>\$ 14,871,000</u>	<u>\$ 14,072,122</u>	<u>\$ 14,871,000</u>

D. Fund Balances

The reserved, unreserved and designated fund balances for the governmental funds are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Reserved:			
Reserved for Encumbrances	\$ 11,142,905	\$ 1,209,668	\$ —
Reserved for Inventories	233,071	—	—
Reserved for Prepaid Expenditures	742,115	—	—
Reserved for State Education Receivable	7,000,000	—	—
Reserved for State Transportation Aid	1,400,000	—	—
Reserved for Debt Service	—	—	11,373,848
Total Reserved	<u>\$ 20,518,091</u>	<u>\$ 1,209,668</u>	<u>\$ 11,373,848</u>
Unreserved:			
Designated for Investment in Inventories	\$ 166,929	\$ —	\$ —
Designated for Waste Diversion	—	2,000,000	—
Designated for Debt Stabilization	7,984,834	—	—
Designated for Charles Point Cost Escalation	—	17,557,770	—
Designated for Grants	—	12,594,774	—
Designated for Subsequent Year's Expenditures	70,893,000	14,047,710	7,102,270
Undesignated	<u>38,300,987</u>	<u>75,586,880</u>	<u>21,437,867</u>
Total Unreserved	<u>\$ 117,345,750</u>	<u>\$ 121,787,134</u>	<u>\$ 28,540,137</u>
Total Fund Balances	<u>\$ 137,863,841</u>	<u>\$ 122,996,802</u>	<u>\$ 39,913,985</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 Prepaid Expenditures 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 Education Receivable 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 twelve months from the date of income recognition by the County in 2001. These funds are not "available" for appropriation or expenditure even though they are a component of current assets.

The Reserve for State Transportation Aid represents the Administration's estimate of State aid due for 2001, but not expected to be paid during calendar year 2002. These funds are not "available" for appropriation or expenditure even though they are a component of current assets.

The Reserve for Debt Service 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 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 Debt Stabilization: The Designation for Debt Stabilization represents funds set aside to mitigate the future impact of the State ordered renovation and construction of the courthouse and other debt.

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 (\$42,020,000) and related increased operating costs.

Designation for Grants: At December 31, 2001, the amount of \$12,594,774 has been designated to fulfill the County's grant obligations.

Designation for Subsequent Year's Expenditures: At December 31, 2001, the County has designated that \$70,893,000 of the General Fund, \$6,513,247 of the Sewer Districts Fund, \$456,321 of the Water Districts Fund, \$3,079,808 of the Airport Fund, and \$3,998,334 of the Refuse District Fund be used to fund 2002 operations. In addition, \$7,102,270 of Capital Projects Fund resources are appropriated in the 2002 budget.

The components of fund balance for the Sewer and Water Districts funds are as follows:

	Reserved for Encumbrances	Designated for Subsequent Year's Expenditures	Undesignated	Total
SEWER DISTRICTS FUND				
Blind Brook	\$ 95,775	\$ 742,670	\$ 1,160,330	\$ 1,998,775
Bronx Valley.....	2,500	301,614	9,500,275	9,804,389
Central Yonkers	28,000	17,973	815,216	861,189
Hutchinson Valley	18,018	541,467	2,434,435	2,993,920
Mamaroneck Valley.....	294,918	450,000	14,401,819	15,146,737
New Rochelle.....	101,258	1,469,985	2,171,979	3,743,222
North Yonkers.....	66,227	250,713	1,880,606	2,197,546
Ossining	90,207	596,011	2,042,243	2,728,461
Peekskill.....	134,225	342,928	1,236,328	1,713,481
Port Chester	41,189	207,641	3,931,277	4,180,107
Saw Mill Valley	70,133	1,083,924	7,760,371	8,914,428
South Yonkers.....	40,000	394,875	2,644,774	3,079,649
Upper Bronx Valley	—	113,446	550,637	664,083
	<u>\$ 982,450</u>	<u>\$ 6,513,247</u>	<u>\$ 50,530,290</u>	<u>\$ 58,025,987</u>
WATER DISTRICTS FUND				
Water District No. 1	\$ —	\$ 297,102	\$ 1,366,593	\$ 1,663,695
Water District No. 2.....	68,441	153,546	902,376	1,124,363
Water District No. 3.....	—	—	279,120	279,120
Water District No. 4.....	—	5,673	242,848	248,521
	<u>\$ 68,441</u>	<u>\$ 456,321</u>	<u>\$ 2,790,937</u>	<u>\$ 3,315,699</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. Discovery and settlement negotiations are underway.

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 a 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.

Subolo Contracting Corporation v. County of Westchester: In this Article 78 proceeding commenced in Supreme Court, Westchester County, Petitioner, a successful contractor on a public works project at the College sought declaratory relief and damages. Specifically, the Petitioner sought a declaration that a Project Labor Agreement was not a term and condition of the contract. The Court granted the County's motion to dismiss and dismissed the complaint without prejudice. The Petitioner filed a motion to reargue which was denied. The Petitioner appealed. The Appellate Division, Second Department, affirmed the dismissal of the complaint and directed the Supreme Court to enter a judgment declaring that the plaintiff was required to execute a Project Labor Agreement. The final judgment was submitted to the Supreme Court and is awaiting signature.

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, 2001 for claims arising from 1986 through 2001 occurrences; in addition, the actuary has identified \$7,000,000 in funds available for the pure catastrophic reserve and public officials' liabilities issues.

Leases and Commitments

The County has commitments under leases for equipment and facilities at annual rentals totaling \$271,167,089 with various expiration dates to December 31, 2023. Annual required payments on existing leases are as follows:

2002	\$ 19,774,566
2003	17,701,873
2004	17,065,485
2005	16,413,253
2006	14,811,606
Thereafter	<u>185,400,306</u>
	<u>\$ 271,167,089</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 Lease payments, which total \$232,285,888 over the twenty-five year period, are included in the above schedule.

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, 2001, that have initial or remaining lease terms in excess of one year:

<u>Year</u>	<u>Rent Expense</u>	<u>Rent Income</u>
2002	\$ 6,890,000	\$ 1,031,000
2003	6,679,000	1,031,000
2004	6,035,000	1,031,000
2005	5,657,000	1,031,000
2006	2,401,000	945,000

Total rental expense in 2001 for all operating leases was approximately \$5,835,000.

Hospital Governance/WCHCC

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 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 of Westchester would best be served by transferring WCMC to a public benefit corporation and thereby creating WCHCC.

The County Board of Legislators adopted Local Laws amending the Westchester County Charter to provide the County with the authority to lease certain premises to WCHCC and authorizing the County to enter into agreements with 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 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.

WCHCC CONTINGENCIES

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. WCHCC has elected to amortize these amounts in equal annual amounts of \$12,771,429; the unrecognized amounts are recorded as deferred revenue. 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.

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:

2002	\$95 million	2005	\$80 million
2003	\$90 million	2006	\$75 million
2004	\$85 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 tax anticipation note 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.

WCHCC as part of the transition agreement is required to maintain certain financial ratios. As of December 31, 2001, these ratios have not been met. The County has the right to have a consultant review the operations of WCHCC.

Guaranty Agreement

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 consisting of (Series 2000B – Subordinate Lien, Series 2000C-1 Tax Exempt – Subordinate Lien and 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. Of the total revenue bonds issued, \$50,550,000 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 1st 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 15th 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 15th 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 the Board by Act No. 165-2001, authorized the execution of a guarantee agreement between the County and WCHCC providing for the guarantee of bonds or other evidence of indebtedness to be issued by WCHCC in an amount not to exceed \$15 million to finance 2001 capital budget costs of various facilities for WCHCC.

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, 2001 approximately \$23,146,000.

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.

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, 2001 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, 2001;

The Westchester County Department of Correction Superior Officers Association has a contract that expired on December 31, 2001;

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 expire on December 31, 2002;

The District Attorney Investigators PBA has a contract that expired on December 31, 2000;

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.

NOTE 5

SUBSEQUENT EVENTS

On March 14, 2002, the County through the New York State Environmental Facilities Corporation (EFC) issued its 2002A bonds in the amount of \$2,122,532. These bonds were issued to advance refund portions of the County's 1996 and 1997D bond issues. A total of \$2,025,000 was advance refunded by the 2002A Bonds. The County also issued its 2002B bonds through the EFC, which consisted of a new money borrowing of \$8,700,000 and a \$200,000 partial conversion of the 2000 EFC bond anticipate note into long-term debt.

On April 8, 2002, the Board by Act No. 78-2002, authorized the execution of a guarantee agreement between the County and WCHCC providing for the guarantee of bonds or other evidence of indebtedness to be issued by

WCHCC in an amount not to exceed \$15 million to finance 2002 capital budget costs of various capital projects for WCHCC.

NOTE 6

ADDITIONAL DISCLOSURES

The County does not budget all special revenue funds and, accordingly, the applicable columns of the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual exclude amounts relating to the unbudgeted funds. A reconciliation of actual results of budgeted and unbudgeted special revenue funds is as follows:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources</u>	<u>Fund Balances December 31, 2001</u>
Combined Statement of Revenues Expenditures, and Changes in Fund Balances - Budgeted Special Revenue Funds	\$ 170,149,591	\$ 165,480,789	\$ 2,081,222	\$ 110,402,028
Add: Governmental Funds not budgeted - Grant Funds	<u>121,928,535</u>	<u>119,982,500</u>	<u>1,097,992</u>	<u>12,594,774</u>
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Special Revenue Funds	<u>\$ 292,078,126</u>	<u>\$ 285,463,289</u>	<u>\$ 3,179,214</u>	<u>\$ 122,996,802</u>

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COUNTY OF WESTCHESTER

Statement of Budgeted Revenues and Expenditures
General Fund

	For the Years Ended		
	2002(a)	2001	2000
REVENUES:			
Tax Levy on Real Property.....	\$ 351,138,011	\$ 338,325,430	\$ 356,716,080
Sales Tax.....	263,300,000	263,300,000	229,732,000
Hotel Tax.....	4,950,000	5,100,000	4,493,500
Auto Use Tax.....	4,865,000	4,746,500	4,350,000
	<u>624,253,011</u>	<u>611,471,930</u>	<u>595,291,580</u>
Federal Aid:			
Social Services	130,097,525	138,257,000	130,983,957
Other.....	5,994,906	6,253,373	5,362,414
	<u>136,092,431</u>	<u>144,510,373</u>	<u>136,346,371</u>
State Aid:			
Social Services.....	130,587,955	112,849,000	110,435,651
Other.....	110,897,801	103,399,775	92,311,233
	<u>241,485,756</u>	<u>216,248,775</u>	<u>202,746,884</u>
Charges for Services:			
Departmental Income.....	96,640,633	90,719,514	89,783,438
Earnings on Investments.....	5,000,000	9,380,221	7,725,000
Miscellaneous Revenues:			
Harness Racing Admissions Tax.....	11,500	14,000	14,000
Other.....	20,034,092	19,666,642	29,352,662
	<u>20,045,592</u>	<u>19,680,642</u>	<u>29,366,662</u>
Total Revenues.....	1,123,517,423	1,092,011,455	1,061,259,935
Other Financing Sources:			
Operating Transfers In.....	3,813,144	3,369,632	5,439,452
WCHCC Credit Support	95,000,000	95,000,000	85,000,000
Total Revenues and Other Financing Sources.....	<u>\$1,222,330,567</u>	<u>\$1,190,381,087</u>	<u>\$1,151,699,387</u>

(a) As amended through October 31, 2002.

COUNTY OF WESTCHESTER

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

EXPENDITURES:	For the Years Ended		
	2002(a)	2001	2000
Current:			
General Government.....	\$ 91,523,371	\$ 86,638,054	\$ 93,299,148
Education.....	101,284,248	91,733,858	75,958,313
Public Safety.....	187,174,386	173,741,094	162,004,624
Health.....	54,638,901	52,445,871	52,311,762
Transportation.....	74,316,751	69,386,431	62,859,137
Economic Assistance and Opportunity.....	477,711,329	458,349,979	443,617,126
Culture and Recreation.....	41,510,834	39,508,473	35,320,059
Home and Community Services.....	4,342,238	3,141,777	2,687,794
Employee Benefits.....	91,627,816	84,171,204	79,857,828
Capital Outlay.....	1,686,315	4,099,870	2,364,534
Debt Service.....	66,175,061	61,804,429	72,045,348
Total Expenditures.....	1,191,991,250	1,125,021,040	1,082,325,673
Other Financing Uses:			
Operating Transfers Out.....	17,375,222	20,383,267	18,277,944
WCHCC Credit Support.....	95,000,000	95,000,000	85,000,000
Total Expenditures and Other Financing Uses.....	1,304,366,472	1,240,404,307	1,185,603,617
Deficiency of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses.....	(82,035,905)	(50,023,220)	(33,904,230)
Appropriated Fund Balance.....	82,035,905	50,023,220	33,904,230
Net Budgeted Revenues and Expenditures.....	\$ —	\$ —	\$ —

(a) As amended through October 31, 2002.

COUNTY OF WESTCHESTER

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

	For the Years Ended		
	2003 (a)	2002 (b)	2001
REVENUES:			
Departmental Income.....	\$ 29,663,448	\$ 29,056,870	\$ 25,859,304
Earnings on Investments.....	150,000	100,000	300,000
Total Revenues.....	29,813,448	29,156,870	26,159,304
Other Financing Sources:			
Operating Transfers In.....	1,315,354	283,815	321,432
Total Revenues and Other Financing Sources.....	31,128,802	29,440,685	26,480,736
EXPENDITURES:			
Current:			
Transportation.....	23,794,014	25,666,799	19,552,886
Employee Benefits.....	1,930,978	1,731,266	1,599,208
Capital Outlay.....	1,177,000	1,992,916	1,826,697
Debt Service.....	3,001,810	3,116,069	3,269,445
Total Expenditures.....	29,903,802	32,507,050	26,248,236
Other Financing Uses:			
Operating Transfers Out.....	1,225,000	130,000	2,340,000
Total Expenditures and Other Financing Uses.....	31,128,802	32,637,050	28,588,236
Deficiency of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses.....	—	(3,196,365)	(2,207,500)
Appropriated Fund Balance.....	—	3,196,365	2,207,500
Net Budgeted Revenues and Expenditures.....	\$ —	\$ —	\$ —

(a) Proposed for 2003 operations.

(b) As amended through October 31, 2002.

COUNTY OF WESTCHESTER

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

	For the Fiscal Years Ended		
	August 31, 2003 (a)	August 31, 2002	August 31, 2001
REVENUES:			
State Aid.....	\$ 16,628,921	\$ 15,392,000	\$ 15,317,800
Charges for Services.....	22,179,170	20,898,000	20,798,000
Earnings on Investments.....	1,000,000	1,900,000	1,900,000
Total Revenues.....	39,808,091	38,190,000	38,015,800
Other Financing Sources:			
Operating Transfers In	17,914,486	15,625,000	14,871,000
Total Revenues and Other Financing Sources.....	57,722,577	53,815,000	52,886,800
EXPENDITURES:			
Education.....	47,493,974	43,699,180	42,860,104
Employee Benefits.....	10,156,000	10,529,160	9,492,673
Capital Outlay.....	207,000	207,000	520,000
Debt Service.....	1,790,603	2,230,000	1,919,633
Total Expenditures.....	59,647,577	56,665,340	54,792,410
Other Financing Uses:			
Operating Transfers Out.....	75,000	5,000	—
Total Expenditures and Other Financing Uses.....	59,722,577	56,670,340	54,792,410
Deficiency of Revenues and Other Financing Sources			
Over Expenditures and Other Financing Sources.....	(2,000,000)	(2,855,340)	(1,905,610)
Appropriated Fund Balance.....	\$ 2,000,000	\$ 2,855,340	\$ 1,905,610
Net Budgeted Revenues and Expenditures.....	\$ —	\$ —	\$ —

(a) As adopted

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

	Year Ended December 31,			
	2001	2000	1999	1998
REVENUES:				
Taxes on Real Property.....	\$ 338,325,430	\$ 356,716,080	\$ 363,158,394	\$ 365,551,737
Sales Tax.....	259,150,845	256,285,754	230,920,475	213,547,959
	<u>597,476,275</u>	<u>613,001,834</u>	<u>594,078,869</u>	<u>579,099,696</u>
Federal Aid:				
Social Services.....	133,380,732	116,340,774	112,268,844	114,877,275
Other.....	5,562,086	192,771	1,180,645	5,661,101
	<u>138,942,818</u>	<u>116,533,545</u>	<u>113,449,489</u>	<u>120,538,376</u>
State Aid:				
Social Services.....	120,686,598	114,871,785	116,669,767	100,328,512
Other.....	104,340,103	93,499,736	84,225,032	70,530,318
	<u>225,026,701</u>	<u>208,371,521</u>	<u>200,894,799</u>	<u>170,858,830</u>
Departmental Income.....	93,779,967	90,926,542	90,126,276	77,863,074
Earnings on Investments.....	8,996,603	10,587,780	7,996,386	7,600,752
Miscellaneous Revenues:				
Auto Use Tax.....	4,971,743	4,572,193	4,389,278	4,245,639
Harness Racing Admissions Tax.....	8,684	11,551	11,525	14,553
Hotel Tax.....	4,672,457	4,861,878	4,253,676	4,025,247
Tobacco Revenue Settlement.....	15,355,261	13,108,069	6,069,224	—
Sale of Tobacco Rights.....	—	—	89,400,000	—
WCIIC Rent.....	—	2,210,514	12,824,893	15,578,426
Other.....	5,528,537	5,288,288	6,382,595	4,874,194
	<u>30,536,682</u>	<u>30,052,493</u>	<u>123,331,191</u>	<u>28,738,059</u>
Total Revenues.....	<u>1,094,759,046</u>	<u>1,069,473,715</u>	<u>1,129,877,010</u>	<u>984,698,787</u>
OTHER FINANCING SOURCES:				
Proceeds from WCHCC to Refund Outstanding Debt.....	—	31,719,530	—	—
Operating Transfers In.....	3,369,632	5,439,452	4,723,822	5,850,099
Total Revenues and Other Financing Sources.....	<u>1,098,128,678</u>	<u>1,106,632,697</u>	<u>1,134,600,832</u>	<u>990,548,886</u>
EXPENDITURES:				
Current:				
General Government.....	73,983,819	80,454,218	78,141,969	76,364,070
Education.....	91,518,505	74,021,785	59,173,782	61,820,644
Public Safety.....	172,411,167	159,700,606	148,088,010	136,796,081
Health.....	45,062,873	45,804,314	131,058,922	36,753,855
Transportation.....	67,034,742	61,804,337	61,450,751	59,454,628
Economic Assistance and Opportunity.....	441,760,310	424,466,294	418,514,225	396,288,974
Culture and Recreation.....	38,473,529	34,084,734	30,823,616	28,964,602
Home and Community Services.....	3,025,951	2,545,549	2,070,880	1,995,734
Employee Benefits.....	83,595,974	79,410,064	74,954,710	62,308,299
Capital Outlay.....	2,119,712	1,204,397	1,350,226	2,270,128
Debt Service.....	60,987,908	62,259,120	72,723,684	73,486,876
Total Expenditures.....	<u>1,079,974,490</u>	<u>1,025,755,418</u>	<u>1,078,350,775</u>	<u>936,503,891</u>
OTHER FINANCING USES:				
Payment to Refunded Bond Escrow Agent.....	—	31,719,530	—	—
Operating Transfers Out.....	4,504,218	4,111,471	5,173,789	5,922,377
Operating Transfers Out—Component Unit.....	14,871,000	14,071,000	13,845,300	44,331,602
Total Other Financing Uses.....	<u>19,375,218</u>	<u>49,902,001</u>	<u>19,019,089</u>	<u>50,253,979</u>
Total Expenditures and Other Financing Uses.....	<u>1,099,349,708</u>	<u>1,075,657,419</u>	<u>1,097,369,864</u>	<u>986,757,870</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses.....	<u>(1,221,030)</u>	<u>30,975,278</u>	<u>37,230,968</u>	<u>3,791,016</u>
Fund Balance—Beginning of Year.....	133,243,169	102,267,891	65,036,923	68,740,021
Restatement.....	4,379,221	—	—	—
Fund Balance—Beginning of Year as Restated.....	<u>137,622,390</u>	<u>102,267,891</u>	<u>65,036,923</u>	<u>68,740,021</u>
Residual Equity Transfer.....	1,462,481	—	—	(7,494,114)
Fund Balance—End of Year.....	<u>\$ 137,863,841</u>	<u>\$ 133,243,169</u>	<u>\$ 102,267,891</u>	<u>\$ 65,036,923</u>

APPENDIX C

Year Ended December 31,					
1997	1996	1995	1994	1993	1992
\$ 347,547,647	\$ 353,796,361	\$ 349,176,870	\$ 337,751,048	\$ 328,532,881	\$ 329,002,511
213,507,365	200,472,936	184,786,158	179,115,347	174,753,575	165,991,885
561,055,012	554,269,297	533,963,028	516,866,395	503,286,456	494,994,396
138,875,799	122,886,637	132,684,282	141,197,708	147,587,188	147,234,505
4,839,776	3,189,999	1,535,151	1,759,105	2,014,597	1,726,989
143,715,575	126,076,636	134,219,433	142,956,813	149,601,785	148,961,494
94,051,746	99,337,778	106,500,433	109,660,567	99,839,866	97,838,583
65,351,114	61,316,655	60,356,589	50,753,389	42,527,446	40,457,087
159,402,860	160,654,433	166,857,022	160,413,956	142,367,312	138,295,670
86,410,852	77,991,570	77,057,332	78,496,910	77,590,681	68,209,846
7,659,574	6,722,927	5,209,003	4,929,058	4,981,167	6,291,729
4,172,027	3,972,223	3,986,624	3,775,492	4,019,460	3,604,563
14,972	18,286	22,378	29,112	31,759	40,163
3,632,775	3,176,535	2,957,896	2,669,862	2,584,345	2,515,714
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
6,264,391	4,364,820	6,169,368	4,982,860	12,511,276	5,793,631
14,084,165	11,531,864	13,136,266	11,457,326	19,146,840	11,954,071
972,328,038	937,246,727	930,442,084	915,120,458	896,974,241	868,707,206
—	—	—	—	—	—
4,689,724	5,154,313	3,301,202	6,784,728	7,069,117	7,648,137
977,017,762	942,401,040	933,743,286	921,905,186	904,043,358	876,355,343
63,299,047	64,355,145	65,571,015	67,717,468	62,764,629	61,005,496
54,663,352	48,813,408	46,496,065	32,032,058	28,094,249	27,828,514
129,345,969	122,073,086	133,233,987	134,438,219	131,963,670	120,996,274
34,371,838	32,236,104	33,558,191	32,600,834	31,500,496	29,669,752
71,332,526	67,502,978	70,054,360	68,662,729	66,345,363	60,083,440
390,001,040	400,835,857	416,676,408	427,517,431	425,607,502	409,264,469
26,798,164	26,260,906	26,438,190	24,597,477	23,112,961	21,714,367
2,058,772	1,835,433	2,027,777	2,161,954	2,060,736	2,098,276
65,294,078	61,678,692	54,898,443	50,368,426	51,852,167	49,464,238
1,569,042	1,969,918	1,330,940	2,784,749	2,470,904	2,803,548
59,479,424	58,810,500	54,852,339	50,614,827	46,390,206	39,428,944
898,213,252	886,372,027	905,137,715	893,496,172	872,162,883	824,357,318
—	—	—	—	—	—
51,090,746	27,778,189	27,602,012	28,798,281	26,954,514	31,006,674
13,658,300	13,393,300	13,560,300	12,798,833	12,798,833	12,798,832
64,749,046	41,171,489	41,162,312	41,597,114	39,753,347	43,805,506
962,962,298	927,543,516	946,300,027	935,093,286	911,916,230	868,162,824
14,055,464	14,857,524	(12,556,741)	(13,188,100)	(7,872,872)	8,192,519
54,684,557	39,827,033	52,383,774	65,571,874	73,444,746	65,252,227
—	—	—	—	—	—
54,684,557	39,827,033	52,383,774	65,571,874	73,444,746	65,252,227
—	—	—	—	—	—
\$ 68,740,021	\$ 54,684,557	\$ 39,827,033	\$ 52,383,774	\$ 65,571,874	\$ 73,444,746

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COUNTY OF WESTCHESTER

Proposed Current Operating Budget Comparative Analysis
General Fund—Expenditures

EXPENDITURES:	For the Years Ended		Change
	2003	2002 (a)	
Current:			
General Government.....	\$ 86,910,000	\$ 91,523,371	\$ (4,613,371)
Education.....	115,986,694	101,284,248	14,702,446
Public Safety.....	186,134,999	187,174,386	(1,039,387)
Health.....	50,756,103	54,638,901	(3,882,798)
Transportation.....	74,322,297	74,316,751	5,546
Economic Assistance and Opportunity.....	516,135,357	477,711,329	38,424,028
Culture and Recreation.....	40,059,959	41,510,834	(1,450,875)
Home and Community Services.....	4,165,845	4,342,238	(176,393)
Employee Benefits.....	117,947,250	91,627,816	26,319,434
Capital Outlay.....	—	1,686,315	(1,686,315)
Debt Service.....	74,053,768	66,175,061	7,878,707
Total Expenditures.....	1,266,472,272	1,191,991,250	74,481,022
Other Financing Uses:			
Operating Transfers Out.....	18,779,616	17,375,222	1,404,394
WCHCC Credit Support.....	90,000,000	95,000,000	(5,000,000)
Total Expenditures and Other Financing Uses.....	<u>\$1,375,251,888</u>	<u>\$1,304,366,472</u>	<u>\$ 70,885,416</u>

(a) As amended through October 31, 2002.

COUNTY OF WESTCHESTER

**Proposed Current Operating Budget Comparative Analysis
General Fund—Revenues**

	For the Years Ended		
	2003	2002 (a)	Change
REVENUES:			
Tax Levy on Real Property.....	\$ 451,567,433	\$ 351,138,011	\$ 100,429,422
Sales Tax.....	269,500,000	263,300,000	6,200,000
Hotel Tax.....	4,000,000	4,950,000	(950,000)
Auto Use Tax.....	4,600,000	4,865,000	(265,000)
	<u>729,667,433</u>	<u>624,253,011</u>	<u>105,414,422</u>
 Federal Aid:			
Social Services	129,980,587	130,097,525	(116,938)
Other.....	1,887,008	5,994,906	(4,107,898)
	<u>131,867,595</u>	<u>136,092,431</u>	<u>(4,224,836)</u>
 State Aid:			
Social Services.....	131,770,960	130,587,955	1,183,005
Other.....	113,350,687	110,897,801	2,452,886
	<u>245,121,647</u>	<u>241,485,756</u>	<u>3,635,891</u>
 Charges for Services:			
Departmental Income.....	102,599,868	96,640,633	5,959,235
 Earnings on Investments.....	2,800,000	5,000,000	(2,200,000)
 Miscellaneous Revenues:			
Harness Racing Admissions Tax.....	8,500	11,500	(3,000)
Other.....	25,102,063	20,034,092	5,067,971
	<u>25,110,563</u>	<u>20,045,592</u>	<u>5,064,971</u>
 Total Revenues.....	1,237,167,106	1,123,517,423	113,649,683
 Other Financing Sources:			
Operating Transfers In.....	1,798,961	3,813,144	(2,014,183)
WCHCC Credit Support	90,000,000	95,000,000	(5,000,000)
Appropriated Fund Balance	46,285,821	82,035,905	(35,750,084)
 Total Revenues and Other Financing Sources.....	<u>\$1,375,251,888</u>	<u>\$1,304,366,472</u>	<u>\$ 70,885,416</u>

(a) As amended through October 31, 2002.