

**NEW ISSUE - SERIAL BONDS**

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

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

**\$46,780,000**

**COUNTY OF WESTCHESTER, NEW YORK**  
**GENERAL OBLIGATION REFUNDING BONDS - 2011 SERIES A**  
**(THE "BONDS")**

**Dated: Date of Delivery**

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

The Bonds will be issued by the County of Westchester, New York (the "County") 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 on October 15, 2011 and semi-annually thereafter on April 15 and October 15 until maturity or prior redemption. The Bonds maturing on or before October 15, 2021 are not subject to redemption prior to maturity. The Bonds maturing on or after October 15, 2022 will be subject to redemption prior to maturity, at the option of the County, as described herein.

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

<u>Year</u>	<u>Maturity Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Maturity Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2011	\$ 540,000	2.00%	0.15%	2019	\$5,270,000	5.00%	2.09%
2012	1,110,000	2.00	0.20	2020	3,955,000	5.00	2.34
2014	3,090,000	3.00	0.59	2021	2,800,000	5.00	2.49
2015	9,460,000	4.00	0.82	2022	600,000	3.00	2.76 <sup>1</sup>
2016	5,675,000	4.00	1.15	2023	595,000	3.00	2.93 <sup>1</sup>
2017	5,750,000	5.00	1.45	2024	555,000	3.00	3.07
2018	7,380,000	5.00	1.83				

<sup>1</sup> Priced to the optional redemption date of October 15, 2021. Please see "THE BONDS - Optional Redemption" herein.

**Citigroup**

**M.R. Beal & Company**

**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 FOR THE BONDS" HEREIN.**

The Bonds are offered subject to the receipt of the final approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the County with respect to the Bonds, and certain other conditions. Public Financial Management, Inc. serves as independent financial advisor to the County. Certain legal matters will be passed on for the Underwriters by their counsel, McKenna Long & Aldridge LLP, New York, New York. It is expected that delivery of the Bonds, in book-entry form only through the facilities of The Depository Trust Company, will be made on or about August 16, 2011 in New York, New York.

Dated: August 5, 2011

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# **WESTCHESTER COUNTY, NEW YORK**

## **OFFICIAL ROSTER**

### **County Executive**

Robert P. Astorino

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## **COUNTY BOARD OF LEGISLATORS**

Kenneth W. Jenkins, *Board Chair*  
Lyndon D. Williams, *Board Vice Chair*

Jose I. Alvarado	John Nonna
Gordon A. Burrows	Martin L. Rogowsky
William Burton	William J. Ryan
Peter B. Harckham	MaryJane Shimsky
Michael B. Kaplowitz	Bernice Spreckman
James Maisano	John G. Testa
Sheila Marcotte	Alfreda Williams
Judith A. Myers	

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## **APPOINTED OFFICIALS**

Kevin J. Plunkett, *Deputy County Executive*  
Ann Marie Berg, *Commissioner of Finance*  
Robert F. Meehan, *County Attorney*  
Lawrence C. Soule, *Budget Director*

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## **SPECIAL SERVICES**

### **BOND COUNSEL**

Hawkins Delafield & Wood LLP  
New York, New York

### **AUDITORS**

O'Connor Davies Munns & Dobbins, LLP

### **FINANCIAL ADVISOR**

Public Financial Management, Inc.  
New York, New York

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.

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 Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in the Official Statement in accordance with, and as part of, their responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. 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.

This Official Statement contains forecasts, projections, and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date of this Official Statement. The County disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the County's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

This Official Statement speaks only as of its date, and the information contained herein is subject to change without notice.



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## **DISCLOSURE UNDERTAKING FOR THE BONDS**

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 of the County for the benefit of registered owners and beneficial owners of the Bonds, to provide, or cause to be provided, to the Municipal Securities Rulemaking Board ("MSRB"), in an electronic format as prescribed by the MSRB, which, as of the date of the Undertaking, is the Electronic Municipal Market Access System ("EMMA"):

(1) Annual Information, which must be submitted no later than the 180th day following the end of each fiscal year, commencing with the fiscal year ending December 31, 2011, and shall contain (i) the information for the preceding fiscal year regarding the following categories of financial information and operating data of the County, in a form generally consistent with the information contained or cross-referenced in the County's final official statement relating to the Bonds under the headings: "COUNTY OF WESTCHESTER," "COUNTY INDEBTEDNESS," "FINANCIAL FACTORS," "BUDGETARY PROCESS," "FINANCIAL CONTROLS," "HOSPITAL GOVERNANCE/WESTCHESTER COUNTY HEALTH CARE CORPORATION," "FINANCIAL STATEMENTS AND ACCOUNTING PROCEDURES," "RESULTS OF OPERATIONS FOR THE GENERAL FUND FOR THE 2010 BUDGET YEAR AND THE BUDGET FOR 2011 AS AMENDED," "ADOPTED 2011 BUDGET," "EMPLOYEES," "MARKET FACTORS," and "LITIGATION;" and (ii) the financial statements of the County for the preceding fiscal year, accompanied by an audit report, prepared by an independent firm of certified public accountants in conformity with generally accepted auditing standards. If such audit report is not submitted as part of the Annual Information to the MSRB, the County shall provide to the MSRB, or shall cause to be provided to the MSRB, such audit report, together with the audited financial statements of the County to which such audit report relates, within 30 days after they are available to the County and in no event later than 360 days after the end of each fiscal year;

(2) timely notice, not in excess of five (5) business days after occurrence, of the occurrence of any of the following events:

(i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (vii) modifications to rights of Bondholders, if material; (viii) bond calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Bonds, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership, or similar event of the County; (xiii) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to such actions, other than pursuant to its terms, if material; and (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

For purposes of the event identified in (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the County in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the County, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County.

The County may provide notice of the occurrence of certain other events, in addition to those listed 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 update such information or to provide any notice of the occurrence of any material event except those events listed above;

(3) in a timely manner, not in excess of five (5) business days after occurrence, notice of a failure to provide the Annual Information by the dates specified; and

(4) prompt notice of any change in the fiscal year of the County.

The County's Undertaking shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Bonds shall have been paid in full or the Bonds shall have otherwise been paid or legally defeased or, in the event that those portions of Rule 15c2-12 (the "Rule") under the Securities Exchange Act of 1934, as amended, which require the Undertaking, no longer apply to the Bonds. The sole and exclusive remedy for breach under the Undertaking is an action to compel specific performance of the obligations of the County under the Undertaking, and no person or entity 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 may amend or change the Undertaking under certain circumstances set forth therein; provided that any such amendment or change is made in connection with a change in circumstances that arises from a change in legal requirements; change in law; or change in the identity, nature, or status of the obligor on the Bonds, or type of business conducted by such obligor, and is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or change would not, in and of itself, cause the Undertaking to violate the Rule if such amendment or change had been effective on the date of the Undertaking but taking into account any subsequent change in or official interpretation of the Rule, as well as any change in circumstances.

The County is in compliance in all material respects with all prior disclosure undertakings.

# **OFFICIAL STATEMENT**

**of the**

## **COUNTY OF WESTCHESTER, NEW YORK**

This Official Statement, which includes the cover page, inside cover 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 \$46,780,000 General Obligation Refunding Bonds, 2011 Series A (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 the Refunding Issue**

Proceeds of the Bonds will be used to refund portions of certain outstanding series of County bond issues as described hereinafter under “Refunding Financial Plan.”

#### **Nature of Obligation**

The Bonds, when duly issued and paid for, will constitute a contract between the County and the holders 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, subject to the limitations imposed by the New Tax Levy Limit Law. See “FINANCIAL FACTORS - New Tax Levy Limit Law” herein.

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. However, the New Tax Levy Limit Law imposes a statutory limitation on the County’s power to increase its annual tax levy. The amount of such increase is limited by the formulas set forth in the New Tax Levy Limit Law. See “FINANCIAL FACTORS - New Tax Levy Limit Law” herein.

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

#### **Description of the Bonds**

The Bonds are dated as of their date of issuance, and will mature in the principal amounts on October 15 in each of the years as shown on the front cover page hereof and will bear interest at the interest rates shown on the front 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 on October 15, 2011 and semi-annually thereafter on April 15 and October 15 in each year until maturity or prior redemption. Principal of and interest on the Bonds will be paid by the County to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to

the Beneficial Owners of the Bonds, as described herein. The Bonds may be transferred in the manner described on the Bonds and as referenced in certain proceedings of the County referred to therein.

### **Optional Redemption**

The Bonds maturing on or before October 15, 2021 are not subject to redemption prior to maturity. The Bonds maturing on or after October 15, 2022 will be subject to redemption prior to maturity, at the option of the County, on any date on or after October 15, 2021, in whole or in part, and if in part in any order of their maturity and in any amount within a maturity (selected by lot within a maturity), at the redemption price of 100% of the par amount of the Bonds to be redeemed, plus accrued interest to the date of redemption.

The County may select the maturities of the Bonds to be redeemed prior to maturity and the amount to be redeemed of each maturity selected, as the County shall determine to be in the best interest of the County at the time of such redemption. If less than all of the Bonds of any maturity are called for prior redemption, such Bonds will be selected for redemption, in accordance with DTC procedures, by lot. Notice of such call for redemption shall be given by mailing such notice to the registered owner not more than sixty (60) nor less than thirty (30) days prior to such date. Notice of redemption having been given as aforesaid, the Bonds so called for redemption shall, on the date of redemption set forth in such call for redemption, become due and payable, together with accrued interest to such redemption date, and interest shall cease to be paid thereon after such redemption date.

### **Refunding Financial Plan**

The County Board of Legislators adopted a refunding bond act on December 14, 2009, Act No. 227-2009 which authorized the refunding of a portion of the County's outstanding general obligation bonds. The refunded bonds are described in the table below and are hereinafter referred to as the "Refunded Bonds." For further information regarding the refunding of the Refunded Bonds, see "THE BONDS - Verification of Mathematical Computation" herein.

The County's refunding plan (the "Refunding Financial Plan") provides that a portion of the proceeds of the Bonds, after payment of underwriting and other costs related to the issuance of the Bonds, will be used to purchase non-callable Government Obligations which, together with cash, if any, will be placed in irrevocable trust funds (the "Escrow Funds") with Deutsche Bank Trust Company Americas, New York, New York (the "Escrow Holder"), pursuant to the terms of an escrow contract by and between the County and the Escrow Holder, dated August 16, 2011 (the "Escrow Contract"). The Government Obligations deposited in the Escrow Funds will mature in amounts, together with any cash so deposited, that will be sufficient to pay the principal of and interest on the Refunded Bonds on the dates of maturity or redemption dates. The owners of the Refunded Bonds will have a first lien on the Escrow Funds until such Refunded Bonds have been redeemed, whereupon the Escrow Contract shall terminate.

**SCHEDULE OF REFUNDED BONDS**

<b>Series</b>	<b>Maturity</b>	<b>Coupon</b>	<b>Par Amount Refunded</b>	<b>Redemption Date</b>	<b>Redemption Price</b>
2002 Series F	12/15/2012	3.625%	\$ 1,465,000	9/15/2011	100%
Series 2003B	12/15/2014	3.625	3,315,000	12/15/2013	100
	12/15/2015	3.700	3,440,000	12/15/2013	100
	12/15/2016	3.800	3,565,000	12/15/2013	100
	12/15/2017	4.000	3,700,000	12/15/2013	100
	12/15/2018	4.000	3,850,000	12/15/2013	100
2004 Series C	10/15/2015	3.500	2,350,000	10/15/2012	100
	10/15/2016	3.500	2,350,000	10/15/2012	100
	10/15/2017	3.500	2,280,000	10/15/2012	100
	10/15/2018	3.625	2,110,000	10/15/2012	100
	10/15/2019	3.750	1,955,000	10/15/2012	100
	10/15/2020	4.000	630,000	10/15/2012	100
	10/15/2021	4.000	620,000	10/15/2012	100
	10/15/2022	4.000	585,000	10/15/2012	100
	10/15/2023	4.000	585,000	10/15/2012	100
	10/15/2024	4.000	550,000	10/15/2012	100
2005 Series C	11/15/2015	4.000	1,985,000	11/15/2014	100
	11/15/2018	4.000	1,595,000	11/15/2014	100
	11/15/2019	4.000	1,480,000	11/15/2014	100
	11/15/2020	4.000	1,435,000	11/15/2014	100
	11/15/2021	4.125	255,000	11/15/2014	100
2007 Series A	11/15/2012	3.750	1,775,000		
	11/15/2013	4.000	215,000		
2007 Series B	11/15/2015	4.125	1,935,000	11/15/2014	100
	11/15/2019	4.125	1,935,000	11/15/2014	100
	11/15/2020	4.125	1,935,000	11/15/2014	100
	11/15/2021	4.125	<u>1,935,000</u>	11/15/2014	100
<b>Total:</b>			<b>\$49,830,000</b>		

Under the Refunding Financial Plan, the Refunded Bonds will continue to be general obligations of the County and will continue to be payable from County sources legally available. However, inasmuch as the Government Obligations and cash held in the Escrow Funds will be sufficient to meet all required payments of principal of and interest on the Refunded Bonds, it is not anticipated that such County sources will be utilized.

**Sources:**

Par Amount	\$46,780,000.00
Net Premium	<u>7,706,469.90</u>
Total	<u>\$54,486,469.90</u>

**Uses:**

Refunding Escrow Deposit	\$54,060,709.93
Cost of Issuance	173,911.93
Underwriters' Discount	<u>251,848.04</u>
Total	<u>\$54,486,469.90</u>

**Verification of Mathematical Computations**

Samuel Klein and Company, Certified Public Accountants, will verify from the information provided to them the mathematical accuracy as of the date of closing on the Refunding Bonds of (1) the computations contained in the provided schedules to determine that the anticipated receipts from the securities and cash deposits listed in the Underwriters' schedules, to be held in escrow, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds, and (2) the computations of yield on both the securities and the Bonds contained in the provided schedules used by Bond Counsel in its determination that the interest on the Bonds is exempt from tax. Samuel Klein and Company will express no opinion on the assumptions provided to them, nor as to the exemption from taxation of the interest on the Bonds.

**BOOK ENTRY ONLY SYSTEM**

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

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



Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

THE COUNTY WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON THE BONDS; (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS; OR (IV) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDOWNER.

## COUNTY OF WESTCHESTER

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

### General Information

Westchester County, incorporated in 1683, is a suburban county located in the northern sector of the New York City 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 2010 Federal census population of 949,113 and has an area of 450 square miles.

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

### Population Characteristics

The 2010 Federal census recorded that the County had experienced a 2.78% population increase since the last completed census in 2000.

**TABLE 1**

Population (in thousands)

<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
2010	949	8,175	19,378	308,746

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

The median age of the County's population in 2010 was 40.0, compared to the State's median of 38.0 and the national median of 37.2.

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 10 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 2009 of 2,193 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 nine percent as densely populated as New York City (26,403 per square mile) and less than one-half as densely populated as Nassau County (4,673 per square mile). However, it is more densely populated than Rockland County (1,789 per square mile), Suffolk County (1,637 per square mile), Putnam County (431 per square mile) or Dutchess County (371 per square mile).

### Personal Income

Total personal income of Westchester residents was \$68.6 billion in 2009. The County's 2009 per capita personal income is among the highest in the nation. As reported by the U.S. Department of Commerce, Bureau of Economic Analysis as of 2010, Westchester County's per capita personal income of \$71,728 in 2009 placed it 8th among the 3,111 counties nationwide. Among the 62 counties of New York State, Westchester ranked second only to New York County (Manhattan). Westchester County's 2009 per capita personal income of \$71,728 compared favorably to New York State and the U.S., which were \$46,516 and \$39,625, respectively.

## Economy

From 1990 to the present, employment in the County has for the most part stabilized along with the County population. Although there have been periods of minor fluctuation, the County's rate of unemployment has been consistently lower than the national rate. From 1990 through 2010 the County's rate of unemployment has been substantially lower than the State and national rates as shown in Table 2.

**TABLE 2**

Employment and Unemployment, 1990-2010  
(Employment figures in thousands)

	Westchester <sup>(a)</sup>		New York State		United States	
	Employment	Unemployment Rate	Employment	Unemployment Rate	Employment	Unemployment Rate
1990	454.8	3.5%	8,340	5.3%	118,793	5.6%
1995	420.1	4.4	8,126	6.4	124,900	5.6
2002	449.4	4.6	8,721	6.2	136,485	5.8
2003	450.4	4.5	8,704	6.4	137,736	6.0
2004	457.3	4.5	8,816	5.8	139,252	5.5
2005	463.2	4.0	8,968	5.0	141,730	5.1
2006	469.0	3.9	9,092	4.6	144,427	4.6
2007	473.1	3.8	9,141	4.5	146,047	4.6
2008	472.2	4.8	9,153	5.4	145,362	5.8
2009	494.4	4.8	9,654	5.3	154,142	9.3
2010	486.5	7.2	8,487	8.4	153,889	9.6

Sources: New York State Department of Labor and United States Labor Department, Bureau of Labor Statistics. Annual averages.

<sup>(a)</sup> 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 2010

	Westchester/ Rockland/Putnam*	New York State	United States**
Manufacturing	4.9%	5.5%	9.8%
Trade, Transportation and Utilities	18.7	17.4	19.2
Finance, Insurance and Real Estate	5.9	8.0	6.0
Services and Miscellaneous	48.6	48.1	42.8
Government	16.7	17.3	16.4
Construction and Mining	5.2	3.7	5.8

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

\*For purposes of these statistics, the New York State Department of Labor has combined these counties as a "Metropolitan Statistical Area."

\*\*The information for the United States is dated 2008.

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

**TABLE 4**

**Wage and Salary Non-Agricultural Employment in Westchester/Rockland/Putnam Counties\***  
**1990 – 2010**  
**(Figures in thousands)**

	Total Non- Agriculture	Manufac.	Trade, Transportation and Utilities	Finance, Insurance and Real Estate	Service	Government	Construction and Mining
1990	529.8	53.0	111.7	36.8	214.6	84.8	28.9
1995	500.0	41.1	103.3	33.0	217.4	83.8	21.4
2000	548.9	37.4	108.9	35.0	245.4	90.2	32.0
2002	552.4	34.4	107.6	33.8	250.7	93.5	32.4
2003	555.2	32.9	107.3	33.9	253.0	94.8	33.3
2004	563.7	32.5	108.6	35.8	258.2	95.3	33.3
2005	566.2	32.4	109.8	38.0	257.1	95.2	33.7
2006	569.5	31.9	110.2	37.5	259.6	94.9	35.4
2007	579.5	31.6	110.7	36.9	265.5	97.1	37.7
2008	582.1	30.8	109.4	36.4	270.1	97.5	37.9
2009 (November)	575.6	29.2	108.0	35.5	269.7	96.4	36.8
2010 (May)	558.8	16.6	101.9	32.1	269.8	99.0	29.4

Source: New York State Department of Labor.

\* For purposes of these statistics, the New York State Department of Labor has combined these counties as a "Metropolitan Statistical Area."  
Annual averages (except 2009 and 2010).

Approximately 95 percent of the wage and salary jobs in the metropolitan statistical area that includes Westchester County in 2008 were with firms whose major activity was other than manufacturing. Non-manufacturing employment increased by approximately 3,000 jobs from the previous year. During the period 1990-2008, employment in the manufacturing sector declined approximately 42 percent, while employment in most other sectors increased. The sectors realizing the most significant gains were service, 26 percent, construction and mining, 31 percent, and government, 15 percent.

There were a total of approximately 486,500 County residents employed in 2010. Approximately 28 percent of the County's professional, technical and managerial workers travel to work in New York City and are among the approximately 37 percent of County residents working outside the County.

Current overall commercial vacancy rates in the County are 17.9%, but are seemingly stable in most parts and declining in some areas such as White Plains. As real estate prices have declined the County saw commitments by several of the area's largest employers to remain in Westchester – companies such as Pepsi Beverages, Heineken, Dannon, IBM and Atlas Air.

Smaller firms – such as Captain Lawrence Brewing, Amkai Solutions and Guggenheim Global Partners – are either expanding in the County (Captain Lawrence), or have moved to Westchester as part of their expansion plans. The biotech industry continues to strengthen in Westchester County with more than 8,000 employees. Recent expansion announcements include ContraFect (moving up from New York City and creating up to 200 positions), Acorda Therapeutics (retaining 159 positions and creating 190 more) and BioMed Realty's purchase of the Ardsley Science Park campus (close to 500,000 sq. ft. of office and lab space).

Highlights of retail revitalization include the attraction of Dick's Sporting Goods and Raymour and Flannigan to the once-vacated Fortunoff property in White Plains, as well as Fairway leasing the newly renovated former K-mart property in Pelham Manor. Ridge Hill in Yonkers is a new, billion dollar, mixed-use project, which is opening up throughout the second-half of 2011 with anchor tenants L.L. Bean, Lord & Taylor, among other retailers.

**TABLE 5****Major Private Sector Employers in Westchester County (2010)**

<u>Firms</u>	<u>Business Activity</u>	<u>Full-time Employees</u>
* + IBM Corporation	Computer products and research services	5,524
* + Pepsico, Inc.	Soft drinks and snack foods	1,975
* Morgan Stanley	Financial Services	1,763
* Verizon Communications	Telecommunications and information products	1,668
Consolidated Edison Company	Utility services	1,400
J.P. Morgan Chase	Commercial and retail banking	1,238
* MasterCard International	Financial services	1,091
New York Life Insurance Company	Financial products and services	936
* Siemens Healthcare Diagnostics, Inc.	Medical diagnostic equipment	711
* Liberty Lines	Bus transportation	700
* Swiss Re America	Property/casualty reinsurance, financial services	670
* POP Displays USA LLC	Manufacturing and production	640
A & P Food Stores	Retail grocery stores	591
Diversified Investment Advisors	Investment Management Services	500

\* Headquarters or major branch operations in Westchester.

+ Information reported 2009.

Compilation by: Westchester County Department of Finance, September, 2010. Figures are as reported by firms.

Based on the latest available economic census provided by the U.S. Census Bureau, retail sales in the County increased 20.5% from \$11.80 billion in 2002 to \$14.21 billion in 2007. On a per capita basis, retail sales in the County in 2007 were \$15,007, which represents an increase of 19.2% from the County's 2002 per capita retail sales of \$12,589. This compares with 2007 per capita retail sales of \$11,879 in the State and \$12,990 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 2007 of \$41,961 compares favorably with the State's and nation's 2007 per household retail sales of \$32,237 and \$34,789, respectively.

Major department stores in the County include Bloomingdale's, Lord and Taylor, Macy's, Neiman Marcus, Nordstrom, Sears, Target, and Wal-Mart.

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 1920s. 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 the Bee-Line Transit System which is administered by the County Department of Transportation and several private bus companies. The County provides operating assistance to the companies under contract and obtains State and Federal aid for acquisition of new buses and other capital improvements in bus transportation. The Bee-Line Transit System operates over 900 route miles and carries over 30 million passengers annually.

The Westchester County Airport is owned by the County and is operated under contract. As of January 1, 2009, AFco AvPorts Management, LLC took over as the new management company at the Airport, which was previously managed by Macquarie Aviation North America 2, Inc. The Airport is located close to the intersection of three interstate highways. The Airport provides direct commercial service to Atlanta, Boston, Charlotte, Chicago, Cincinnati, Cleveland, Detroit, Fort Lauderdale, Fort Myers, Orlando, Philadelphia, Toronto, Washington D.C. and West Palm Beach and houses numerous corporate and privately owned aircraft.

## **Utility Services**

### *Wastewater Services*

The County, through its Department of Environmental Facilities, operates a wastewater collection and treatment system consisting of seven wastewater treatment plants, 42 pumping stations, and 194 miles of trunk sewers serving 13 County Sanitary Sewer Districts.

On December 9, 2008, the Westchester County Board of Legislators (the "Board") by Act No. 240-2008, authorized the County to enter into a new Order on Consent (the "2008 Consent Order") with the State of New York Department of Environmental Conservation ("DEC"), which was fully executed on December 30, 2008. The 2008 Consent Order is in place of and in order to adjust the County's obligations under an existing Order on Consent, which was entered into on December 24, 2004 ("2004 Consent Order" and together with the 2008 Consent Order, the "Consent Orders"). The 2004 Consent Order was executed in settlement of the administrative claims of the DEC relating to, among other things, the County's anticipated noncompliance with state and federally mandated nitrogen removal standards to be imposed in the State Pollutant Discharge Elimination System ("SPDES") permits for the four County-owned waste water treatment plants ("WWTPs") which discharge into the Long Island Sound ("LIS"), namely: (1) the New Rochelle WWTP; (2) the Mamaroneck Valley WWTP; (3) the Blind Brook WWTP; and (4) the Port Chester WWTP. The 2004 Consent Order was the result of a multi-year study of nitrogen-based pollution in the Long Island Sound, known as the Long Island Sound Study ("LISS") which began in 1985, and the subsequent agreement of the United States Environmental Protection Agency ("USEPA"), and the States of New York and Connecticut to impose mandatory nitrogen reductions on all municipal WWTPs which discharge into the Long Island Sound and require them to reduce nitrogen discharges. The 2008 Consent Order requires improvements be undertaken at only two of the four LIS WWTPs, namely the Mamaroneck Valley and New Rochelle WWTPs (the "BNR Project") to meet nitrogen discharge standards set forth in the NYSDEC-issued SPDES permits for all four Long Island Sound WWTPs, in the aggregate, by 2017. This substantially reduces the overall cost of compliance, because it is more efficient to reduce aggregate nitrogen discharges by making more comprehensive improvements at the two selected WWTPs than it would be to achieve the same reductions by making improvements at all four WWTPs. It further requires the equitable apportionment of all the costs associated with the BNR Project among the four (4) Long Island Sound Sanitary Sewer Districts ("SSDs"), namely: (1) the New Rochelle SSD; (2) the Mamaroneck Valley SSD; (3) the Blind Brook SSD; and (4) the Port Chester SSD, as the Board has determined that all of the properties in the four LIS SSDs are benefited thereby. This is anticipated to have a substantial financial impact on those SSDs. The 2008 Consent Order extends the date for compliance from 2014 to 2017.

The County has authorized the following Bond Acts in order to meet its obligations under the 2008 Consent Order:

Bond Act No. 239-2008, which authorized the issuance of bonds in an amount not to exceed \$234,700,000 to fund capital project SLI01 - Long Island Sound BNR Remediation, which finances design, construction management and construction required to be undertaken at the Mamaroneck Valley and New Rochelle WWTPs;

Amended Bond Act No. 70-2009, which authorized the issuance of bonds in an amount not to exceed \$173,000,000 to fund capital project SNR06 - New Rochelle, which finances required improvement of the secondary treatment processes at the New Rochelle Waste Water Treatment Plant; and

Bond Act No. 119-2009, which authorized the issuance of bonds in an amount not to exceed \$780,000 to fund capital project SLI02 - Environmental Benefit Projects, which finances two (2) DEC approved projects anticipated to remove non-source point nitrogen.

Bond Act No. 142-2008, which authorized the issuance of bonds in an amount not to exceed \$3,750,000 to fund capital project SMO07 - Mamaroneck WWTP Performance Maintenance, to finance rehabilitation of the influent screens and the grit chambers at the Mamaroneck wastewater treatment plant.

The County has also authorized the issuance of the following Bond Act which, although not required under the 2008 Consent Order, will reduce nitrogen discharges into the LIS and thereby benefit all four LIS SSDs:

Bond Act No. 194-2009, which authorized the issuance of bonds in an amount not to exceed \$450,000 to fund capital project SLI03 - Long Island Sound BNR Water Quality Improvement Project, to finance construction of

the aeration tank modifications at the Blind Brook WWTP, noting that the County anticipates receiving approximately \$1,470,000 in grant funds for an estimated maximum project cost of approximately \$1,920,000.

### *Electrical Services*

Except for its northeastern portion, the County receives electrical delivery service from Consolidated Edison of New York ("Con Edison"). The cost of electricity in the Con Edison service territory is the highest in the continental United States. These high power costs may accelerate the current trend in the County away from manufacturing production. Con Edison also supplies natural gas service to the County. The northeastern portion of the County receives its electric power from New York State Gas and Electric at rates substantially below those of Con Edison. Since the latter part of 1976, both the County and the majority of municipalities within the County have received their electricity from the Power Authority of the State of New York over Con Edison distribution lines. 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 the utilities 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, the majority of 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 commercial customers in accordance with the terms of a Lease and Operating Agreement between the Agency and Con Edison. Under these arrangements, the Agency is able to deliver varying amounts of lower cost power through arrangements with the New York Power Authority over Con Edison's distribution lines. Currently, these lower cost power allocations cannot be increased so the County and the Agency are working to procure other lower cost power, including additional Business Incentive Rate power, for other companies in Westchester in order to stimulate economic development and to retain jobs in Westchester County.

The Agency presently collects an administrative fee in connection with the municipal development agency power program. There is pending legislation in New York State to extend this program to June 2010. The Recharge New York ("RNY") Legislation, passed in 2011, will cause this program to expire on July 1, 2012. At that time, the Agency's obligation to pay for electricity and collect from its customers will end and the Agency will no longer receive an administrative fee. The RNY program will merge all existing NYPA Economic Development Programs into one program directly administered by NYPA. RNY will provide benefits for businesses and non-profits including: a permanent and dedicated funding source for the low cost energy economic development programs; long term contracts for a term of up to seven years so that program participants can make appropriate business decisions to re-locate, remain, and/or expand; and the ability to add new program participants and provide additional allocations to existing program participants.

### *Water Services*

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 177 square miles of watershed lands and reservoirs in the County and, in addition, receive water by aqueduct from the upstate Catskill and Delaware systems. The County operates two water districts and there are a variety of private and municipal reservoir and well systems which supply the remainder of public water needs.

Effective January 1, 2002, Water District Number 2, which had previously been operated by the County, was leased to Northern Westchester Joint Water Works pursuant to State legislation and an Intermunicipal Agreement. Under this agreement, the lessee makes lease payments to the County which 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, the State, the 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 New York City Watershed and has paid \$38 million 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 (the "2002 FAD") and, therein, determined that the 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 established milestones for the City's construction

of Ultraviolet (UV) Light Disinfection Facilities, to commence operation on August 31, 2009. In 2005, New York City requested an extension of the construction schedule contained in the 2002 FAD. Pursuant thereto, the USEPA prepared the 2005 Draft Modification to the 2002 FAD which would extend the date for commencement of operation at the UV Facility until August 31, 2010. The USEPA released a new New York City Filtration Avoidance Determination ("2007 FAD") for the Catskill/Delaware Water Supply in July 2007. The 2007 FAD includes a schedule to construct the UV disinfection plant and have it operational by August of 2012.

The County is currently mandated by the New York State Department of Health ("NYSDOH") and by the USEPA, pursuant to the USEPA's Long Term 2 Enhanced Surface Water Treatment ("LT2") rule, to provide, as early as 2012, a specified level of treatment to water. In order to comply in a timely manner with these requirements for a higher level of treatment, the County must make substantial improvements to its drinking water treatment and distribution systems over the next several years. After extensive investigation, the Department of Environmental Facilities currently estimates the cost of necessary improvements to the County water treatment and distribution systems to be in the range of \$40 to \$125 million dollars dependent upon available technology and location of the treatment facilities.

### *Refuse Disposal*

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, 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 original Service Agreement expired on October 21, 2009.

In order to address the expiring agreements with local municipalities, on September 25, 2006 the Westchester County Board of Legislators adopted Act No. 195-2006 authorizing the County, acting by and through the District, to enter into inter-municipal agreements ("IMAs") for a period commencing August 14, 2006 and expiring October 21, 2009, with municipalities located within the District whereby the municipalities will deliver to the District (i) municipally collected solid waste and (ii) source separated recyclables. The expiration date of the IMAs coincides with the expiration date of the Service Agreement.

On June 29, 2007 the District issued a Final Request for Proposal (RFP) seeking a vendor or vendors to provide Municipal Solid Waste management and disposal services within the District. This RFP was issued pursuant to the requirements defined in Section 120-w of the New York State General Municipal Law. The RFP invited proposers to submit proposals describing their technical and financial approaches and their business approach to provide the services described in the RFP. On August 31, 2007, the District received a proposal in response to the Final RFP from Wheelabrator Westchester, L.P. The County, after a thorough review of the proposal, and after receiving clarification on certain details of the proposal, began negotiations with Wheelabrator in the first quarter of 2008.

In October 2009 the County, on behalf of the District, reached a new solid waste disposal agreement with Wheelabrator. Under the new agreement, the District is obligated to bring all municipal solid waste collected under IMA's with participating municipalities to the Charles Point Facility. However, the District is no longer obligated to supply a minimum tonnage of solid waste. In addition, the agreement allows the District to divert up to 50,000 tons annually to explore new waste disposal technologies. The new agreement has a term of ten years and includes an initial five-year option at the County's discretion, followed by two additional five-year options by mutual consent. The County has executed IMA's with participating municipalities that run concurrent with the solid waste disposal agreement.

### **Recreational and Cultural Facilities**

The nationally accredited Westchester County Department of Parks, Recreation and Conservation oversees the operation of more than 40 parks and facilities spanning nearly 18,000 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 234-acre preserve that features many species of trees and shrubs, including formal gardens in season; Muscoot Farm, a 777-acre, early-1900s 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. A 19-member citizens' committee appointed by County Executive Robert P. Astorino is currently reviewing proposals that have been received in response to the RFP "Re-Inventing Playland



Park for the 21st Century.” 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 two-year terms 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. Since 1974 the Board has retained the services of O’Connor Davies Munns & Dobbins LLP to review and report projections of revenues and expenditures as contained in 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 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.

In 2009, the residents of Westchester County elected a new County Executive, Robert P. Astorino, who was sworn into office on January 1, 2010.

*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. By the Charter, the Commissioner of Finance is responsible for the administration of the financial affairs of the County, including the management of \$1.8 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.

Ann Marie Berg is Commissioner of Finance for the County. The Commissioner is responsible for the administration of the Finance Department and the financial reporting for the County. Prior to her appointment as Commissioner of Finance in January of 2010, Ms. Berg had served as Comptroller for the Town of Eastchester since 1997. She was comptroller for the Town of Mount Pleasant from 1992-1997. She served as President of the Government Finance Officer’s Association (GFOA) from 2005 to 2006 and served as a GFOA Board Member 1999 - 2009. Ms. Berg has also served as a past Treasurer of Westchester Municipal Clerks and Finance Officers. She holds a Bachelor’s degree in business administration as well as two Masters degrees, one in Educational Administration and the other in Public Administration.

## 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 the Westchester County Health Care Corporation ("WCHCC"). (See "HOSPITAL GOVERNANCE/WESTCHESTER COUNTY HEALTH CARE CORPORATION" herein.)

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

*Payment and Maturity.* The County is authorized by the State Constitution to contract debt for objects or purposes which the State Legislature has determined to have a "period of probable usefulness" and the maximum maturity of such debt may not exceed the period of probable usefulness of the object or purpose or, in the alternative, the weighted average period of probable usefulness of the several objects or purpose for which it is contracted. Bonds must mature in annual installments and may be issued to finance any object or purpose for which a "period of probable usefulness" has been determined by the State Legislature. No annual installment of a serial bond may be more than 50% in excess of the smallest prior installment unless the Board 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, without giving effect to the refunding of the Refunded Bonds by the Bonds.

**TABLE 6**

Summary of Constitutional Debt Statement Prepared as of July 15, 2011

Five year average full valuation of taxable real property .....	\$181,954,233,884
Debt limit (7% thereof) .....	<u>12,736,796,372</u>
Outstanding indebtedness:	
Bonds.....	808,935,339 <sup>(a)</sup>
NYSEFC Bond Anticipation Notes.....	115,683,000 <sup>(b)</sup>
Bond Anticipation Note.....	100,000,000
Less Exclusions:	
Following year Debt Service Appropriation (principal only)	
General Fund and Special Revenue Fund Airport .....	63,501,782
District Funds.....	20,050,520
Certain Sewer District Debt .....	109,704,109
Water District Debt .....	<u>3,068,322</u>
Total Exclusions.....	<u>196,324,733</u>
Total Net Indebtedness.....	<u>\$828,293,606</u>
Net Debt — contracting margin .....	<u>\$11,908,502,766</u>
Percentage of Debt Contracting Power Exhausted as of 7/15/11 .....	<u>6.50%</u>

<sup>(a)</sup> See Table 7 for previously refunded debt, which is excluded from the above table.

<sup>(b)</sup> Non-interest bearing Notes sold to the New York State Environmental Facilities Corporation on September 25, 2008, September 14, 2009, and September 2, 2010. Market rate Notes were sold on February 24, 2011.

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. However, Chapter 97 of the Laws of 2011 imposes a statutory limit on the amount of taxes the County may levy. See “FINANCIAL FACTORS - New Tax Levy Limit Law” herein.

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. These bonds continue to be general obligations of the County. However, inasmuch as moneys held in an escrow fund will be sufficient to meet all debt service requirements for such bonds, it is not anticipated that any other source of payment will be required.

**TABLE 7**Previously Refunded and Escrowed Bonded Debt as of July 15, 2011

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 169,000	\$ 746,736.51	\$ 915,736.51
2012	168,000	1,486,195.02	1,654,195.02
2013	3,693,000	1,478,960.02	5,171,960.02
2014	3,528,000	1,361,568.76	4,889,568.76
2015	3,000	1,246,866.26	1,249,866.26
2016	3,703,000	1,246,726.26	4,949,726.26
2017	7,177,000	1,096,167.50	8,273,167.50
2018	5,300,000	806,656.26	6,106,656.26
2019	2,985,000	592,237.50	3,577,237.50
2020	6,150,000	472,837.50	6,622,837.50
2021	3,135,000	226,837.50	3,361,837.50
2022	<u>2,520,000</u>	<u>101,437.50</u>	<u>2,621,437.50</u>
	<u>\$38,531,000</u>	<u>\$10,863,226.59</u>	<u>\$49,394,226.59</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 “THE BONDS - 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. However, Chapter 97 of the Laws of 2011 imposes a statutory limit on the power of the County to increase its annual tax levy. See “FINANCIAL FACTORS - New Tax Levy Limit Law” herein.

*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 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 the Board 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 certain 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 that where a bond act is published with a statutory form of notice, the validity of the bonds authorized thereby, including bond anticipation notes issued in anticipation of the sale thereof, may be contested only if:

1. such obligations are authorized for a purpose for which the County is not authorized to expend money; or
2. there has not been substantial compliance with the provisions of law which should have been complied with in the authorization of such obligations; and

an action contesting such validity is commenced within twenty days after the date of such publication; or

3. such obligations are authorized in violation of the provisions of the Constitution.

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, in that capacity, the Board has the power to authorize the issuance of bonds and notes, including the Bonds. However, the

Board may delegate, and has delegated, its powers in relation to the sale and issuance 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 "COUNTY INDEBTEDNESS - 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 (including the County) 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 bonds and notes indebtedness for the payment of the principal and interest on which the County has pledged its faith and credit.

**TABLE 8**

County Long-Term Bond Indebtedness <sup>(a)</sup>  
Principal Amount Outstanding as of July 15, 2011

Parks and Parkways .....	\$117,268,469.74
Roads and Bridges .....	59,634,124.35
Airport.....	11,142,031.25
Courthouse .....	113,323.45
Correctional Facilities .....	44,315,973.09
Community College .....	26,098,632.93
WCHCC.....	22,811,570.61
Transportation .....	7,531,086.61
Laboratories and Research .....	11,721,300.96
Other Buildings and Miscellaneous .....	240,904,834.03
Refuse Disposal District .....	19,827,334.67 <sup>(b)</sup>
Water District 1.....	960,784.31 <sup>(b)</sup>
Water District 2.....	1,158,977.45 <sup>(b)</sup>
Water District 3.....	909,344.78 <sup>(b)</sup>
Sewer Districts .....	<u>244,537,550.62<sup>(b)</sup></u>
Total Net Indebtedness .....	\$808,935,338.85 <sup>(c)</sup>
Deduct District debt .....	<u>(267,393,991.83)</u>
Net Long-Term debt .....	<u>\$541,541,347.02</u>

<sup>(a)</sup> See Table 7 for previously refunded debt, which is excluded from the above table.

<sup>(b)</sup> 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 "Financial Factors - Assessed and Full Valuation, County Tax Levy and Rates" herein.)

<sup>(c)</sup> Does not include \$115,683,000 of Bond Anticipation Notes ("BANs") sold to New York State Environmental Facilities Corporation and \$100,000,000 of other BANs.

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 "WESTCHESTER COUNTY - Utility Services -- *Refuse Disposal*" herein) and the courthouse project (see "COUNTY INDEBTEDNESS - 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, without giving effect to the refunding of the Refunded Bonds by the Bonds.

**TABLE 9**

Debt Ratios as of July 15, 2011

	Amount <sup>(a)</sup>	Per Capita <sup>(b)</sup>	Estimated Percentage Full Value <sup>(c)</sup>
Gross Long-Term Bond Debt	\$808,935,338.85	\$852	0.44%
Net Long-Term Bond Debt	\$541,541,347.02	\$571	0.29%

<sup>(a)</sup> See Table 7 for previously refunded debt, which is excluded from the above table.

<sup>(b)</sup> Westchester County's 2010 population was 949,113, according to the U.S. Bureau of the Census.

<sup>(c)</sup> The estimated full value of taxable real estate in the County for 2010 was computed by use of the Westchester County Tax Commission rates. See Table 18 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, without giving effect to the refunding of the Refunded Bonds or the Bonds.

**TABLE 10**

Summary of Principal and Interest on County Long-Term Bond Indebtedness  
As of July 15, 2011

	<u>Principal</u> <sup>(a)</sup>	<u>Interest</u> <sup>(a)</sup>	<u>Total</u>
2011	\$ 63,304,741.22	\$ 15,648,932.31	\$ 78,953,673.53
2012	78,281,708.63	28,543,540.59	106,825,249.22
2013	69,737,649.56	26,042,558.91	95,780,208.47
2014	67,251,255.51	23,562,160.50	90,813,416.01
2015	62,934,979.04	20,684,798.94	83,619,777.98
2016	61,279,985.96	18,355,493.97	79,635,479.93
2017	57,665,004.06	16,103,928.43	73,768,932.49
2018	52,800,011.98	13,887,094.18	66,687,106.16
2019	46,800,002.96	11,724,285.11	58,524,288.07
2020	41,334,997.98	9,836,540.85	51,171,538.83
2021	39,905,005.97	8,352,951.76	48,257,957.73
2022	34,769,995.98	6,887,152.08	41,657,148.06
2023	21,290,000.00	5,784,175.70	27,074,175.70
2024	21,345,000.00	4,887,307.05	26,232,307.05
2025	11,105,000.00	4,188,067.35	15,293,067.35
2026	10,880,000.00	3,699,133.25	14,579,133.25
2027	10,015,000.00	3,210,581.30	13,225,581.30
2028	7,300,000.00	2,750,092.40	10,050,092.40
2029	7,300,000.00	2,404,864.18	9,704,864.18
2030	6,640,000.00	2,070,617.43	8,710,617.43
2031	6,650,000.00	1,751,372.88	8,401,372.88
2032	6,655,000.00	1,429,293.78	8,084,293.78
2033	6,650,000.00	1,107,223.23	7,757,223.23
2034	3,930,000.00	813,994.78	4,743,994.78
2035	2,930,000.00	624,437.73	3,554,437.73
2036	2,925,000.00	474,348.78	3,399,348.78
2037	2,765,000.00	328,097.70	3,093,097.70
2038	2,215,000.00	201,637.80	2,416,637.80
2039	1,650,000.00	102,892.90	1,752,892.90
2040	<u>625,000.00</u>	<u>19,062.50</u>	<u>644,062.50</u>
Total	<u>\$808,935,338.85</u>	<u>\$235,476,638.37</u>	<u>\$1,044,411,977.22</u>

<sup>(a)</sup> Excludes Bond Anticipation Notes of \$115,683,000 sold to the New York State Environmental Facilities Corporation (\$106,485,000 of these notes were issued at no interest and \$9,198,000 of these notes were issued at market rate). Also excludes \$100,000,000 Bond Anticipation Note of the County issued on December 2, 2010 and due on November 30, 2011 at an interest rate of 0.75%.

In August 2011, the County anticipates closing on \$100,500,000 of long term financing to be sold to the New York State Environmental Facilities Corporation. Included in this financing is \$26,179,521 of Bond Anticipation Notes sold to the New York State Environmental Facilities Corporation being converted to long term debt.

## Trend of Outstanding Long-Term County Indebtedness

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

**TABLE 11**

Outstanding Long-Term County Indebtedness<sup>(a)</sup>  
As of December 31

<u>Fiscal Year</u>	<u>Amount</u>	<u>Fiscal Year</u>	<u>Amount</u>
2001	\$531,632,331	2006	\$699,749,776 <sup>(b)</sup>
2002	614,293,956	2007	745,084,090 <sup>(b)</sup>
2003	641,470,868 <sup>(b)</sup>	2008	672,078,835 <sup>(b)</sup>
2004	691,603,313 <sup>(b)</sup>	2009	705,298,834 <sup>(b)</sup>
2005	697,728,403 <sup>(b)</sup>	2010	829,750,770 <sup>(b)(c)</sup>

<sup>(a)</sup> See Table 7 for previously refunded debt.

<sup>(b)</sup> Excludes short-term Notes sold to the New York State Environmental Facilities Corporation.

<sup>(c)</sup> Excludes \$100,000,000 Bond Anticipation Notes and \$106,485,000 short-term Notes sold to the New York State Environmental Facilities Corporation.

## Summary of Significant Contingencies and Commitments

The County financed \$133,007,717 over 25 years through the Dormitory Authority of the State of New York (the "Authority") in connection with the implementation of the County's Court Facilities Capital Plan for the Westchester County Courthouse rehabilitation and facade replacement, and construction of a three-story courthouse annex (the "Project"). In December 1998, the County conveyed to the Authority title to the Courthouse property, including buildings and improvements thereon or to be erected thereon. The parties entered into a Lease and Agreement (the "Lease") by which the Authority leases the property back to the County. When the Lease term has expired and all of the bonds have been paid in full, the Authority will convey back to the County all of the property and the improvements thereon. The County financed \$21 million of new money bonds by the Authority to complete the County's Courthouse. Through the Authority, the County also refunded a portion of the outstanding 1998 Authority bonds issued as described above. The refunding produced an average annual savings of approximately \$268,000 in 2007 through 2018, inclusive. That financing of \$21 million increased County lease payments by approximately \$1,625,000 in each of the years 2006 through 2023, inclusive. The 2011 adjusted lease payment is \$12,108,839. 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.

## 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, nutrient removal from the Long Island Sound and for expansion of County Refuse Disposal District No. 1 facilities.

Other than the Refunding Bonds proposed herein, in November 2011, the County anticipates issuing approximately \$175 million in long-term bonds (including the refinancing of \$100 million Bond Anticipation Notes issued December 1, 2010 maturing on November 30, 2011) and in August 2011, the County anticipates selling approximately \$100.5 million of long-term bonds to the New York State Environmental Facilities Corporation.

**TABLE 12**

Capital Budget Projection  
As of December 10, 2010  
(Dollars in Thousands)

	Estimated Total Cost <sup>(a)</sup>	Financing <sup>(c)</sup>					
		Cumulative Appropriations <sup>(b)</sup>	Cash Operating Budgets <sup>(d)</sup>	Non- County Share <sup>(d)</sup>	Aggregate Bonding Authorized and Anticipated <sup>(e)</sup>	Bonds Authorized <sup>(f)</sup>	Bonds Anticipated <sup>(g)</sup>
Buildings, Land & Misc.	\$1,015,270	\$ 744,500	\$17,939	\$ 75,371	\$ 651,190	\$533,378	\$117,812
Parkways	75,388	113,474	720	59,214	53,540	24,200	29,340
Roads & Bridges	222,417	168,052	13	60,539	107,500	72,589	34,911
Recreation Facilities	598,540	240,639	1,453	4,220	234,966	165,479	69,487
Transportation	<u>355,859</u>	<u>237,700</u>	<u>788</u>	<u>191,752</u>	<u>45,160</u>	<u>42,996</u>	<u>2,164</u>
<b>Total County</b>	<b>2,267,474</b>	<b>1,504,365</b>	<b>20,913</b>	<b>391,096</b>	<b>1,092,356</b>	<b>838,642</b>	<b>253,714</b>
WCHCC	<u>6,795</u>	<u>6,595</u>	<u>300</u>	<u>--</u>	<u>6,295</u>	<u>6,295</u>	<u>--</u>
<b>County with WCHCC</b>	<b>2,274,269</b>	<b>1,510,960</b>	<b>21,213</b>	<b>391,096</b>	<b>1,098,561</b>	<b>844,937</b>	<b>253,714</b>
Airport	190,202	100,282	18,403	74,324	7,555	3,550	4,005
Refuse Disposal District No. 1	56,570	31,870	19,200	2,000	10,670	10,670	--
Sewer and Water Districts	<u>1,263,583<sup>(h)</sup></u>	<u>806,133</u>	<u>14,007</u>	<u>10,655</u>	<u>781,471</u>	<u>715,983</u>	<u>65,488</u>
<b>Grand Total</b>	<b><u>\$3,784,624</u></b>	<b><u>\$2,449,245</u></b>	<b><u>\$72,823</u></b>	<b><u>\$478,075</u></b>	<b><u>\$1,898,347</u></b>	<b><u>\$1,575,140</u></b>	<b><u>\$323,207</u></b>

(a) As estimated in the capital plan, but not necessarily appropriated. Includes projects not yet under the capital budget or subject of a Bond Act. No assurance can be given that the actual cost will not be greater than estimated, in part because of the anticipatory nature of capital planning.

(b) As provided in the capital budgets, which provide for the authorization to spend and the plan of financing. Such appropriations remain in effect until the project is completed or terminated.

(c) As provided in the capital budgets, the County is not committed to the issuance of such bonds and, generally, reduces the final amount of the issue by transfers from the operating budgets and from other sources such as Federal and State funds.

(d) Reflects cash from operating budgets for the retirement of certain bond anticipation notes and from other revenues such as Federal and State funds.

(e) As provided in the capital budget. Includes all bonds issued or anticipated to be issued for the capital projects. Bond anticipation notes may be issued pending the sale of the bonds.

(f) Bonds in the amounts indicated have been issued in prior years. Certain of these bonds have matured and been retired. Completed projects and bonds issued therefore are not shown since they are not in the capital budget.

(g) Represents the difference between "aggregate bonding" and "bonds authorized."

(h) The Sewer and Water Districts Estimated Total Costs include system, pump stations and treatment plants upgrades and rehabilitations as well as biological nutrient removal projects.

## Temporary Borrowing

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

**TABLE 13**

Bond Anticipation Notes

<u>Fiscal Year</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance as of December 31</u>
2002	\$73,903,200 <sup>(a)</sup>	\$20,508,132	\$117,984,156
2003	11,300,000 <sup>(a)</sup>	40,284,156	89,000,000
2004	2,800,000 <sup>(a)</sup>	60,400,000	31,400,000
2005	--	29,400,000	2,000,000
2006	10,101,200 <sup>(a)(b)</sup>	2,000,000	10,101,200
2007	39,071,229 <sup>(a)</sup>	36,825,000	12,347,429
2008	18,500,000 <sup>(a)(c)(d)</sup>	8,601,200	22,246,229
2009	87,455,000 <sup>(c)(e)</sup>	3,746,229	105,955,000
2010	147,000,000 <sup>(f)</sup>	46,470,000	206,485,000
2011	9,198,000 <sup>(g)</sup>	--	215,683,000

<sup>(a)</sup> Issued to the New York State Environmental Facilities Corporation.

<sup>(b)</sup> Issued September 14, 2006.

<sup>(c)</sup> As of December 16, 2009.

<sup>(d)</sup> Issued September 25, 2008.

<sup>(e)</sup> \$55,000,000 was sold on August 27, 2009 to the New York State Environmental Facilities Corporation and \$32,455,000 was sold in October of 2009 for the settlement of litigation.

<sup>(f)</sup> \$100,000,000 of Bond Anticipation Notes were issued on December 2, 2010, payable on November 30, 2011. \$47,000,000 of Bond Anticipation Notes were sold to the New York State Environmental Facilities Corporation on September 2, 2010.

<sup>(g)</sup> Two issues of Bond Anticipation Notes in the amount of \$5,748,000 and \$3,450,000 were issued on February 24, 2011 and sold to the New York State Environmental Facilities Corporation.

*Tax Anticipation Notes.* The following table shows the annual issues of tax anticipation notes since 2001.

**TABLE 14**

Tax Anticipation Notes

<u>Fiscal Year</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance as of December 31</u>
2001	\$ --	\$ --	\$ --
2002	--	--	--
2003	--	--	--
2004	50,000,000	50,000,000	--
2005	--	--	--
2006	--	--	--
2007	--	--	--
2008	--	--	--
2009	--	--	--
2010	70,000,000	70,000,000	--
2011	50,000,000	50,000,000 <sup>(a)</sup>	--

<sup>(a)</sup> Retired on June 15, 2011.

Except for tax anticipation notes issued during the period shown in Table 14, 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.

## 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 15**

Estimated Underlying Indebtedness  
As of June 30, 2010

Cities: Yonkers	\$ 462,136,000
Peekskill	53,084,835
Rye	25,263,998
White Plains	96,056,825
Mount Vernon	12,509,601
New Rochelle	73,669,359
Nineteen Towns	281,701,561
Twenty-three Villages	433,464,977
Forty-eight School Districts	<u>1,624,854,876<sup>(a)</sup></u>
Overall Estimated Underlying Gross Debt	<u>\$3,062,742,032<sup>(b)</sup></u>

<sup>(a)</sup> Net of State Building Aid of \$62,162,229.

<sup>(b)</sup> Does not include deductions for self-supporting debt.

## FINANCIAL FACTORS

County finances are operated primarily through the County's 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 assessments or charges for these purposes are paid and from which all expenditures are made. The County also has an Airport Fund and a Trust Fund which do not levy taxes. 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 this Appendix A of this Official Statement. These statements have been audited by O'Connor Davies Munns & Dobbins, LLP, independent certified public accountants. Appendix B of this Official Statement contains summaries of the County budget for 2011, as adopted.

The financial factors and budgetary information appearing in this Official Statement include updated estimates and proposals for 2011 and 2012, and projections for 2013 and forward, to the extent presented. Information of this kind necessarily includes estimates and projections of future results which should not be construed as statements of fact. The estimates and projections are based upon various assumptions that could be affected by numerous factors, including future economic conditions in the County, the State and the nation, as well as potential litigation. There can be no assurance that actual results will not differ materially and adversely from the estimates and projections shown in this Official Statement.

### Revenues

The County derives its revenues from: State and Federal aid, a direct tax levy on real property, a 1 1/2 % County-wide sales tax, which was increased on October 15, 1991 to 2 1/2% in the towns and in those cities which have not imposed their own sales tax, a hotel occupancy tax, a motor vehicle tax, a mortgage tax, and departmental fees and charges. An additional 1/2% sales tax was authorized and imposed in March, 2004, within the towns and cities not imposing sales tax.

### Real Property Tax

The County derives its power to levy an ad valorem real property tax from Article 8, Section 10 of the State Constitution. The County's property tax levying powers, other than for debt service and certain other purposes, are limited by the State Constitution to 2% of the most recent five-year average full valuation of taxable real property of the County. See "REVENUES - Municipally Generated Revenues - Real Property Tax" herein. On June 24, 2011, the New Tax Levy Limit Law (as defined below in "FINANCIAL FACTORS - New Tax Levy Limit Law") was

enacted, which imposes a tax levy limitation upon the municipalities, school districts and fire districts in the State, including the County, without providing an exclusion for debt service on obligations issued by municipalities and fire districts, including the County. See “FINANCIAL FACTORS - New Tax Levy Limit Law” herein.

In 2011 and 2010, the County budgeted approximately 32% and 31%, respectively, of its annual revenues to be derived from 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 16**

Real Property Tax

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Tax Levy for County Purposes	\$548,423,468	\$560,753,491	\$544,941,481	\$535,467,453	\$515,421,397
Tax Levy for Sewer, Water and Refuse Disposal Districts	<u>144,017,196</u>	<u>141,439,233</u>	<u>135,625,760</u>	<u>130,200,322</u>	<u>129,994,023</u>
Total	<u>\$692,440,664</u>	<u>\$702,192,724</u>	<u>\$680,567,241</u>	<u>\$665,667,775</u>	<u>\$645,415,420</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 generally limited to one and one-half per centum (subject to increase up to 2% by State legislative enactment) of the average full valuation of taxable real estate of the County. However, the New Tax Levy Limit Law imposes a statutory limitation on the County’s power to increase its annual tax levy. The amount of such increase is limited by the formulas set forth in the New Tax Levy Limit Law. See “FINANCIAL FACTORS - New Tax Levy Limit Law” herein.

The following table sets forth such real estate taxing limit of the County for the fiscal year 2011.

**TABLE 17**

Computation of Constitutional Taxing Power

For the Fiscal Year 2011

<u>Year</u>	<u>2011 Full Valuation of Real Estate <sup>(a)</sup></u>
2010	\$164,244,469,790
2009	184,306,353,139
2008	188,748,425,071
2007	194,296,468,248
2006	<u>178,175,453,170</u>
Total	<u>909,771,169,418</u>
Five-year average full valuation	181,954,233,884
Tax Limit: (1.5%)	2,729,313,508
Total Additions	<u>84,073,602 <sup>(b)</sup></u>
Total taxing power	2,813,387,110
Total levy for 2011	<u>548,423,468</u>
Tax Margin	<u>\$2,264,963,642</u>

<sup>(a)</sup> Data taken from official New York State Equalization Tables as established by the New York State Board of Equalization and Assessment.

<sup>(b)</sup> The following items in the 2011 adopted budget are excludable from the Constitutional Tax Limit: \$84,073,602 for Debt Service.

## 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 18**

### Historic Valuation, Tax Levy and Rates

<u>Tax Levy Year</u>	<u>Assessed Valuation <sup>(a)</sup></u>	<u>Full Valuation <sup>(a)</sup></u>	<u>Levied for County Purposes</u>	<u>Rate per \$1,000 of Assessed Valuation</u>
2011	\$16,399,459,325	\$163,646,825,868	\$548,423,468	\$33.44
2010	17,296,380,184	183,872,292,338	560,753,491	32.42
2009	17,486,153,704	188,664,709,508	544,941,481	31.16
2008	17,628,844,332	193,572,868,214	535,467,453	30.37
2007	17,022,331,593	178,569,716,398	515,421,397	30.28

<sup>(a)</sup> 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 Sewer, Water, and Refuse Disposal 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 60% 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 "FINANCIAL FACTORS - 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 19**

### Historic 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>
2011	\$692,440,664	\$415,464,398	\$ (a)
2010	702,192,724	702,192,724	--
2009	680,567,241	680,567,241	--
2008	665,667,775	665,667,775	--
2007	645,415,420	645,415,420	--

(a) 60% of the tax levy is due on May 25, with the balance due on October 15.

## New Tax Levy Limit Law

Prior to the enactment of Chapter 97 of the Laws of 2011 (the “New Tax Levy Limit Law”) on June 24, 2011, all the taxable real property within the County has been subject to the levy of ad valorem taxes to pay the bonds and notes of the County and interest thereon without limitation as to rate or amount. However, the New Tax Levy Limit Law imposes a tax levy limitation upon the County for fiscal years commencing January 1, 2012 through January 1, 2015 and possibly thereafter as provided in New Tax Levy Limit Law, without providing an exclusion for debt service on obligations issued by the County, including the Bonds. As a result, the power of the County to levy real estate taxes on all the taxable real property within the County, without limitation as to rate or amount, may or may not be subject to statutory limitations, according to the formulas set forth in New Tax Levy Limit Law. The actual effect of the New Tax Levy Limit Law would depend upon the interpretation of such law by a court of competent jurisdiction in the event of a legal challenge.

The following is a brief summary of certain relevant provisions of New Tax Levy Limit Law. The summary is not complete and the full text of the New Tax Levy Limit Law should be read in order to understand the details and implications thereof.

The New Tax Levy Limit Law imposes a limitation on increases in the real property tax levy of the County, subject to certain exceptions. The New Tax Levy Limit Law permits the County to increase its overall real property tax levy over the tax levy of the prior year by no more than the “Allowable Levy Growth Factor”, which is the lesser of one and two-one hundredths or the sum of one plus the Inflation Factor; provided, however that in no case shall the levy growth factor be less than one. The “Inflation Factor” is the quotient of: (i) the average of the 20 National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the coming fiscal year minus the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, divided by: (ii) the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, with the result expressed as a decimal to four places. The County is required to calculate its tax levy limit for the upcoming year in accordance with the provision above and provide all relevant information to the New York State Comptroller prior to adopting its budget. The New Tax Levy Limit Law sets forth certain exclusions to the real property tax levy limitation of the County, including exclusions for certain portions of the expenditures for retirement system contributions and tort judgments payable by the County. The governing board of the County may adopt a budget that exceeds the tax levy limit for the coming fiscal year, only if the governing board of the County first enacts, by a vote of at least sixty percent of the total voting power of the governing board of the County, a local law to override such limit for such coming fiscal year.

The New Tax Levy Limit Law does not contain an exception from the levy limitation for the payment of debt service on either outstanding general obligation bonds or notes of the County or such indebtedness incurred after the effective date of the New Tax Levy Limit Law. As such, there can be no assurances that the New Tax Levy Limit Law will not come under legal challenge for violating (i) Article VIII, Section 12 of the State Constitution for not providing an exception for debt service on obligations issued prior to the enactment of the New Tax Levy Limit Law, (ii) Article VIII, Section 10 of the State Constitution by effectively eliminating the exception for debt service to general real estate tax limitations, and (iii) Article VIII, Section 2 of the State Constitution by limiting the pledge of its faith and credit by a municipality or school district for the payment of debt service on obligations issued by such municipality or school district.

## **Sales Tax**

The County presently imposes a 1 1/2% County-wide sales and use tax on all retail sales. Additionally, the State, effective May 1, 2005, imposes a 4% State sales tax and a 3/8% sales tax levied in the Metropolitan Transportation Authority District. The cities in the County have the power under State law to impose by local law and State legislative enactment their own sales and use taxes. At present, such taxes are imposed at a rate of 2 1/4% in the City of White Plains and at 2 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, 2012. The additional 1% sales tax is to be apportioned between the County (33 1/3%), school districts in the County (16 2/3%) and towns, villages and cities in the County which have not imposed sales taxes (50%).

In February 2004, the State Legislature authorized an increase to the additional 1% sales tax originally enacted in July 1991, of an additional 1/2 percentage point. The County will retain 70% of that 1/2 percentage point increase with the balance of 30% to be shared with the municipalities (20%) and school districts (10%). This increase has been in effect from March 1, 2004. This additional 1/2 percentage point will expire on May 31, 2012. The combined sales tax in the County, exclusive of cities that have imposed sales tax, is 7 3/8%.

## **Other Revenues**

The Hotel Occupancy Tax went into effect on January 1, 1988. The County realized revenues from the tax of \$4,119,041 in 2009, \$4,751,110 in 2010 and is budgeted for \$4,800,000 in 2011.

The Motor Vehicle Tax, which became effective in the third quarter of 1991, generated revenue of \$14,821,113 in 2009, \$15,059,583 in 2010, and is budgeted for \$15,000,000 in 2011.

The Mortgage Tax, which became effective in the first quarter of 2004, generated revenue of \$12,465,216 in 2009 and \$12,969,264 in 2010 and is budgeted for \$13,500,000 in 2011.

In 2010 the State and Federal aid totaled \$458.8 million. This included \$300.4 million in Federal and State aid for Social Service programs and \$158.4 million for mental health, public health, transportation and other County programs. Of such amounts, approximately 45.5% (\$208.7 million) is Federal aid and 54.5% (\$250.1 million) is State aid.

The 2011 Adopted Budget anticipates a total of \$460.0 million of Federal and State aid, which includes \$297.2 million in Federal and State aid for Social Service programs and \$162.8 million for mental health, public health, transportation and other County programs. Of such amounts, approximately 40% (\$184 million) is Federal aid and 60% (\$276 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 is available for appropriation in the budget adopted for the second fiscal year following the year in which such surplus resulted.

## **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 approximately \$1.75 billion during 2010, of which 34.5% was spent for economic assistance. The 2011 Adopted Operating Budget for the General Fund expenditures and other financing uses totals approximately \$1.79 billion, with an estimated 32.3% 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.

**TABLE 20**

Expenditures by Major Category

General Fund  
(Dollars in thousands)

	Adopted Budget 2011	Actuals			
		2010	2009	2008	2007
General Government	\$199,105	\$ 186,745	\$ 215,758	\$ 189,415	\$ 197,144
Education	169,024	170,894	167,652	157,604	144,115
Public Safety	257,490	266,529	251,519	252,139	248,323
Health	61,027	66,047	69,174	70,682	69,179
Transportation	135,455	129,536	133,256	125,689	96,544
Economic Assistance	579,165	602,989	624,258	591,176	564,182
Culture and Recreation	49,012	49,390	50,240	50,845	48,325
Home & Community Services	3,675	5,489	5,012	4,238	4,181
Employee Benefits	193,617	191,769	156,261	152,463	146,982
Capital Outlay	700	--	--	638	652
Debt Service	79,318	72,740	78,256	84,810	78,492
Transfers Out	5,273	5,770	6,476	6,787	6,229
WCHCC Credit Support	56,000 <sup>(a)</sup>	--	--	--	--
Total Expenditures	<u>\$1,788,861</u>	<u>\$1,747,898</u>	<u>\$1,757,862</u>	<u>\$1,686,486</u>	<u>\$1,604,348</u>

<sup>(a)</sup> In December 2010, WCHCC repaid its commercial paper in full, therefor the County is no longer obligated to provide WCHCC credit support.

### 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 a tri-party agreement (under New York State Law) among the County, each depository bank and each custodian bank. Eligible securities that the County utilizes as collateral by the banks for benefit of the County, include the following: 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; and obligations issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation.

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. 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 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 State municipal corporations.



The County's written Investment Policy, as approved by the Board, 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 money market accounts, 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. Securities purchased under Repurchase Agreements 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 money market accounts and Certificates of Deposit are collateralized with "eligible securities" as described above and held for the benefit of the County.

## **BUDGETARY PROCESS**

The Department of the Budget (the "Budget Department") is by Charter responsible for the formulation and management of the budget and for its execution, revenue estimates, review and financial analysis. The Budget 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. Not later than May 1st of each year the head of each department, institution, furnishes to the Budget Director, the County Planning Board, and the Capital Projects Committee detailed estimates of any capital projects which should be undertaken within the next five fiscal years. To this list of capital requirements the County Planning Board may add other capital projects which it believes should be undertaken. Not later than the tenth day of September, the Planning Board submits to the County Executive, to the Budget Director and the Capital Projects Committee its recommendations. The County Executive submits the Capital Budget along with the report of the Capital Projects Committee to the Board not later than November 15. In turn, the Committee on Budget and Appropriations of the Board reviews the proposed budget and makes recommendations to amend and/or adopt the budget by December 27. The budget is published both in its proposed and adopted form. For the widest possible dissemination, the County's Budget is 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**

### **Background**

The State Legislature adopted legislation during 1997 which created the Westchester County Health Care Corporation ("WCHCC") as a public benefit corporation of the State. A long-term Lease and an Operating Agreement to transfer the facilities and operations of Westchester County Medical Center to WCHCC had been developed with the County which was effective January 1, 1998. Subsequent to January 1, 1998, additional negotiations resulted in a Transition Agreement and an Amended and Restated Lease Agreement.

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

The Amended and Restated Lease Agreement represents a real property lease for land and facilities and 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 Amended and Restated Lease Agreement 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 Cooperation Agreement, where the bonds issued are in the form of a loan to WCHCC.

### **Transition Agreement**

The terms of the Transition Agreement commenced on January 1, 1998 and continued for a period of ten years, ending on December 31, 2007. During this period there were various amendments to the Transition Agreement which provided WCHCC with continued financial support by the County.

### **Cooperation Agreement**

On December 8, 2008, the Westchester County Board of Legislators approved Act No. 233-2008 authorizing the County to enter into a Cooperation Agreement, and on December 15, 2008 the County and the WCHCC entered into the Cooperation Agreement which amended and restated the Transition Agreement. The term of the Cooperation Agreement retroactively commenced January 1, 2008 and continues through December 31, 2017.

Beginning in 1998, WCHCC financed working capital through the issuance of its commercial paper which was credit-enhanced by a line of credit agreement. The County provided credit support for WCHCC's working capital in the form of an appropriation specifically linked to such working capital financing in the County's Operating Budget. In 2009, the County and WCHCC entered into a First Amendment to the Cooperation Agreement dated December 17, 2009 in order to revise the pay down schedule for the commercial paper.

Thereafter in 2010, the County and WCHCC entered into a Second Amendment to the Cooperation Agreement dated December 21, 2010 wherein WCHCC released the County from its obligation to provide WCHCC with Credit Support under Article Nine of the Cooperation Agreement. In December 2010, WCHCC repaid the commercial paper in full. The Cooperation Agreement also allows for additional guarantees of WCHCC's long-term debt at the discretion of the County.

In December 2010, WCHCC refunded and defeased all of the outstanding amounts of WCHCC's Revenue Bonds that had been guaranteed by the County.

## **FINANCIAL STATEMENTS AND ACCOUNTING PROCEDURES**

Included in Appendix A are the financial statements of the County for the year ended December 31, 2010 together with the report thereon, dated June 20, 2011, of O'Connor Davies Munns & Dobbins, LLP, independent certified public accountants. Appendix B contains the budget for 2011 as adopted.

## **RESULTS OF OPERATIONS FOR THE GENERAL FUND FOR THE 2010 FISCAL YEAR AND THE BUDGET FOR 2011**

The audited 2010 fiscal year resulted in a year-end undesignated General Fund balance of \$35,986,416 compared to the undesignated 2009 General Fund balance of \$29,608,996.

The 2011 Adopted Budget tax levy represents a 1% decrease over the 2010 tax levy. As adopted, the total County spending in the 2011 General Fund Budget increased by \$41 million compared to 2010 actual of \$1.478 billion.

The December 31, 2010 General Fund balance totaled \$160.1 million. This balance includes \$41.8 million designated for subsequent year's expenditures, \$17 million designated for New York State Retirement Stabilization, \$4.4 million designated for Medicaid claims, \$41 million designated for other post employment benefits, \$18.9 million for reserves and \$36 million undesignated.

## **ADOPTED 2011 BUDGET**

The County Executive released his proposed 2011 budget on November 9, 2010. The Board adopted the 2011 budget, as modified by the Board, on December 10, 2010. Total expenditures are budgeted at \$1.8 billion. Sales Tax revenues are budgeted at \$459.3 million (26.4% of total), property tax is budgeted at \$460.8 million (31.9% of total), and Federal and State aid is budgeted at \$460 million.

## **EMPLOYEES**

The County provides services through approximately 5,507 full-time equivalent employees; 425 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 ten labor organizations, which are:

The New York State Nurses Association (NYSNA) representing 37 registered nurses in various County departments;

The Westchester County Correction Officers Benevolent Association (COBA) representing 728 correction officers;

The Westchester County Correction Department Superior Officers Association (SOA) representing 117 senior assistant wardens, sergeants, captains and specialists;

The Westchester Community College Federation of Teachers (WCCFT) representing 205 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 243 police officers and sergeants in the Police Division, Public Safety Services;

The Westchester County Police Officers Benevolent Association, Superior Officers Unit (SPBA) representing 23 Captains and Lieutenants in the Police Division, Public Safety Services;

The District Attorney Investigators PBA of Westchester County (DA Investigators) representing 33 Criminal Investigators in the District Attorney's Office;

Local 456, International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America, AFL-CIO representing 121 administrators and managers;

The Civil Service Employees Association (CSEA) unit representing 301 non-faculty, administration employees of Westchester Community College;

The Civil Service Employees Association (CSEA) representing all titles and County employees other than those mentioned above. This representation amounts to 3,274 employees.

The collective bargaining agreements expire at different times. The NYSNA has a contract that will expire on December 31, 2011. The SOA and COBA contracts both expired December 31, 2001, and have continued by interest arbitration awards through December 31, 2008; negotiations on new agreements have commenced. The WCCFT has a contract that will expire on August 31, 2011. The PBA and SPBA contracts expired on December 31, 2002 and have continued through interest arbitration through December 31, 2008; negotiations on new agreements have commenced. The DA Investigator's PBA contract expired on December 31, 2006; negotiations for a new contract are in progress. The Local 456 Teamsters contract expired on December 31, 2008; negotiations for a

successor agreement have not yet commenced. The contract for the CSEA unit representing non-faculty administration of Westchester Community College expired on December 31, 2009; negotiations for a successor agreement have commenced. The CSEA unit representing all other CSEA employees has a six-year agreement, which will expire December 31, 2011. Since 1968, with the implementation of the Taylor Law, procedures in Westchester County labor relations have been both reasonable and amicable.

## Pension Systems

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") (collectively the "Systems"). The 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 publically available financial report that includes financial statements and required supplementary information for the Systems. That report may be obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, New York 12224.

**Funding Policy** - The Systems are non-contributory, except for employees in tiers 3 and 4 that have less than ten years of service, who contribute 3% of their salary, and employees in tier 5 who also contribute 3% of their salary without regard to their years of service. Contributions are certified by the State Comptroller and expressed as a plan. Contribution rates for the plan year ended March 31, 2010 are as follows:

	<u>Tier</u>	<u>Rates</u>
ERS	1	15.3% - 18.3%
	2	14.0% - 21.6%
	3	11.3% - 11.4%
	4	11.3% - 18.5%
	5	9.1% - 9.2%
PFRS	1	21.9%
	2	16.3%
	3	16.5%

The County's expense in connection with the New York State systems is funded on an actuarial basis provided by the State and the billing is on a fiscal year basis of April 1 to March 31. The County's cost for the last five years is scheduled in Table 21:

**TABLE 21**

Payments to Employees' Retirement System <sup>(a)</sup>

	<u>Years Ended December 31</u>				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
New York State Employees Retirement System	\$44,919,620	\$32,482,931	\$31,874,842	\$36,668,016	\$37,099,077
New York State Policemen's and Fireman's Retirement System	<u>6,773,189</u>	<u>4,232,592</u>	<u>4,198,073</u>	<u>5,240,475</u>	<u>3,847,287</u>
Total Payment	<u>\$51,692,809</u>	<u>\$36,715,523</u>	<u>\$36,072,915</u>	<u>\$41,908,491</u>	<u>\$40,946,364</u>

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

## **GASB 45 and Other Post-employment Benefits (OPEB)**

The County provides post-retirement employment benefits to various categories of former employees. Those benefits are funded on a pay-as-you-go basis. Under the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 45 (GASB 45), all governmental entities are now required to report the estimated cost of the accrued liability for such post-employment benefits. Governments, including the County, with budgeted revenues in excess of \$100 million, must report that liability on an annual basis.

GASB 45 requires governments to account for OPEB liabilities much like they already account for pension liabilities, generally adopting the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB. Unlike GASB 27, which covers accounting for pensions, GASB 45 does not require governments to report a net OPEB obligation initially.

Under GASB 45, based on actuarial valuation, an annual required contribution (ARC) will be determined for each municipality. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by the current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 45 does not require that the unfunded liability actually be amortized nor that it be advance funded, only that the municipality account for its unfunded accrued liability and compliance in meeting its ARC. The County contracted with SGRisk to perform the OPEB study and actuarial calculation. The County's total actuarial accrued liability reported in the 2010 audited financial report was determined to be \$2.617 billion. The County's ARC was \$222.84 million for 2010.

Actuarial valuation will be required every two years since the County's OPEB plan has more than 200 members.

## **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 United States of America or the State or of any of its agencies or political subdivisions, this could adversely affect 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.

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

The enactment of the New Tax Levy Limit Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the County, without providing an exclusion for debt service on obligations issued by municipalities and fire districts, including the County, could have an impact upon the market price for the Bonds. See "FINANCIAL FACTORS - New Tax Levy Limit Law" herein.

## **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 amounts not 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 \$12,949,186 and \$11,638,039 were expended in 2009 and 2010, respectively. For 2011, the County has budgeted \$12,000,000, which is projected to be sufficient to cover certiorari expenditures.

In 2006, a lawsuit was filed against the County of Westchester entitled United States of America ex rel. Anti-Discrimination Center of Metro New York, Inc. v. Westchester County, New York, concerning the use of federal funds for affordable housing and community development projects. The parties reached an agreement and on August 10, 2009, a Stipulation and Order of Settlement of Dismissal was filed whereby the County is required to, among other things, expend a total of \$62,500,000. Initial payments totaling \$32,500,000 were made by the County as follows: \$30,000,000 was paid to the United States in full settlement of all claims and \$2,500,000 was paid to the opposing counsel. The United States will credit \$21,600,000 of the initial payment to the County's Housing and Urban Development (HUD) account for use by the County to affirmatively further fair housing pursuant to Community Development Block Grant (CDBG) regulations. The remaining \$30,000,000 will be spent on specific affordable housing projects as they are identified and subject to legislative approval of each such expenditure. There has been no change in the terms of the Stipulation and Order of Settlement and Dismissal.

### **Self Insurance**

The County, in 1986, pursuant to the authority granted under New York General Municipal Law ("GML") Section 6-n, is self-funding its casualty and liability exposures, including exposure for general, automobile, professional, and public officials, as well as medical malpractice exposures deriving from the activities of the Westchester County Medical Center (the "6-n Fund"). The County's medical malpractice exposures from the Westchester County Medical Center were terminated in 1998 when the Westchester County Health Care Corporation took over those responsibilities. In 1989, pursuant to the authority granted under GML Section 6-j, the County began self-funding the administration and payment of its worker's compensation claims (the "6-j Fund"). (The 6-n Fund and the 6-j Fund are collectively referred to as "Self-Insurance Funds.")

Applicable law provides that payment into 6-n Fund during any fiscal year be limited to \$33 million or 5% of the total budget for each year, whichever is greater.

Accordingly, the County has retained the services of an independent actuary to evaluate its loss history and provide recommendations in establishing the County's liabilities for all past claims and its funding for future claims.

The actuary has certified as to the adequacy of the amount accrued as of December 31, 2010 for claims arising from 1986 through 2010 exposures, including a provision for incurred but not reported claims.

Of those cases instituted after the December 31, 2010 actuarial estimates which are covered by the County's Self-Insurance Funds, none is expected to result in exposure in excess of \$5,000,000. The 6-n Fund retains an adequate and sufficient unallocated reserve to pay for claims exceeding that amount, as a contingency, in lieu of purchasing commercial insurance policies.

There are currently no cases that may have an estimated value of \$5,000,000 or more and which are not covered by the County's Self-Insurance Funds.

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

## **TAX MATTERS**

### **Opinion of Bond Counsel**

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

alternative minimum tax imposed on such corporations. The Arbitrage and Use of Proceeds Certificate of the County (the “Tax Certificate”) which will be delivered concurrently with delivery of the Bonds will contain provisions and procedures relating to compliance with applicable requirements of the Code. 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 Tax Certificate relating to compliance with certain applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

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

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

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

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on such 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 Commissioner of Finance, in executing the tax certificates with respect to the Bonds, 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 the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

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

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

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

### **Original Issue Discount**

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

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of interests in such Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning interests in a Discount Bond even though there will not be a corresponding cash payment.

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

### **Bond Premium**

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

### **Information Reporting and Backup Withholding**

Information reporting requirements apply to interest on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

### **Miscellaneous**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.



## **RATINGS**

The Bonds have been assigned a rating of “Aaa” (negative outlook) by Moody’s Investors Service (“Moody’s”), “AAA” (stable outlook) by Standard and Poor’s Corporation (“S&P”) and “AAA” (stable outlook) 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, based on information and materials furnished to them and on investigations, studies and assumptions made by 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 revised downward, suspended or withdrawn entirely if, in the sole judgment of such rating agencies, circumstances so warrant. Any such downward revision, suspension or withdrawal of a rating may have an adverse effect on the trading value and the market price of the Bonds. The Underwriters and the County undertake no responsibility after issuance of the Bonds to assure the maintenance of the ratings or to oppose any revision, suspension or withdrawal thereof.

## **UNDERWRITING**

The Bonds are being purchased for reoffering by the Underwriters set forth on the front cover page hereof, for whom Citigroup Global Markets Inc. is acting as Senior Manager, at an aggregate purchase price for the Bonds of \$54,234,621.86 (representing the aggregate principal amount of \$46,780,000 of the Bonds, less Underwriters’ discount of \$251,848.04 and plus net original issue premium of \$7,706,469.90).

The purchase contract between the County and the Underwriters provides that the Underwriters will purchase all of the Bonds, if any Bonds are purchased.

The Underwriters may offer and sell Bonds to certain dealers and others at prices other than the initial offering prices. The offering prices may be changed from time to time by the Underwriters.

Citigroup Inc., parent company of Citigroup Global Markets Inc., an underwriter of the Bonds, has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture, Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

M.R. Beal & Company, an underwriter of the Bonds, has entered into an agreement (the “Distribution Agreement”) with TD Ameritrade, Inc. for the retail distribution of certain municipal securities offerings, at the original issue prices. Pursuant to the Distribution Agreement (as applicable for the Bonds), M.R. Beal & Company will share a portion of its underlying compensation with respect to the Bonds with TD Ameritrade, Inc.

## **LEGAL MATTERS**

Legal matters incident to the authorization, issuance and sale of the Bonds will be subject to the final approving opinion of the law firm of Hawkins Delafield & Wood LLP, Bond Counsel to the County. Certain legal matters will be passed upon for the Underwriters by their counsel, McKenna Long & Aldridge LLP, New York, New York.

## **FINANCIAL ADVISOR**

The County has retained Public Financial Management, Inc. of New York, New York, as Financial Advisor in connection with the issuance and sale of the Bonds. Public Financial Management, Inc. is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. Public Financial Management, Inc. is an independent advisory firm and is not engaged in the business of underwriting, trading, or distributing municipal securities or other public securities.

## **ADDITIONAL INFORMATION**

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

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

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

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

## **COUNTY OF WESTCHESTER, NEW YORK**

By: /s/ Ann Marie Berg

Commissioner of Finance and Chief Fiscal Officer

Dated: August 5, 2011

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*Note: Appendixes A and C have been extracted from Westchester County's Comprehensive Annual Financial Report (CAFR) for the Year Ending December 31, 2010. As such, some references are made to specific page numbers or exhibits that do not correspond to this Official Statement. A complete copy of the County's 2010 CAFR can be accessed at [www.westchestergov.com/finance](http://www.westchestergov.com/finance) (Finance Department). Alternately, you may contact the Office of the Commissioner of Finance (see Additional Information, herein).*

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

### INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Westchester, New York as of and for the year ended December 31, 2010 which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Westchester County Health Care Corporation (a component unit) for the year ended December 31, 2010, which represents 89.8% and 87.7%, respectively, of the assets and revenues of the component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions on the basic financial statements insofar as it relates to amounts included for such component unit is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Westchester, New York as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General, Sewer and Refuse funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As more fully disclosed in Note 4, the only significant resource of the Westchester Tobacco Asset Securitization Corporation ("WTASC") is the right to receive tobacco revenues. A reduction in these revenues would affect debt service coverage on the bonds. If the reduction were material, it could impair the ability of the WTASC to make Turbo Redemption payments or even its ability to make planned structured principal payments as they are due. As a result, actual amortization may not conform to either the Turbo Redemption maturities or the planned structured principal payments.

In accordance with *Government auditing Standards*, we have also issued our report dated June 20, 2011 on our consideration of the County of Westchester, New York's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Westchester, New York's basic financial statements as a whole. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the report of other auditors, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*O'Connor Davies Munns & Dobbins, LLP*

**O'Connor Davies Munns & Dobbins, LLP**

Harrison, New York

June 20, 2011

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

The County of Westchester's (the County) management team offers the readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-7 of this report.

### **FINANCIAL HIGHLIGHTS**

- The assets of the County's Governmental Activities exceeded its liabilities at the year ended December 31, 2010 and 2009 by \$1,167,218,195 and \$1,305,248,529, respectively, a decrease in total net assets of \$138,030,334. The unrestricted net deficit portion at December 31, 2010 was \$477,936,607. The net unrestricted assets decreased from the year 2009 by \$188,852,186. The decrease was primarily due to the recording in accordance with GASB Statement No.45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (GASB 45) an estimated post retirement health insurance liability of \$165,221,232 for 2010. (This excludes the amount charged to the restricted Special Revenue Funds of \$14,878,768). The balance of the decrease is due to a net decrease in working capital and other long term liabilities amounting to \$23,630,954 which includes a decrease of \$6,865,011 for the accrual of compensated absences caused by the 2010 reduction in the workforce and also implementing a cap on sick time allowances in 2010 for non-represented staff. (This also excludes the compensated absences liability reduction of \$709,145 related to the restricted Special Revenue Funds.)
- Sales Tax increased by \$29,685,901 in 2010 versus 2009, Mortgage Tax increased by \$543,988 in 2010 versus 2009, and transfers of tobacco settlement revenues from Westchester Tobacco Asset Securitization Corporation (WTASC) was \$1,818,337 and \$1,918,859 in 2010 and 2009, respectively.
- The County's governmental funds reported for 2010 combined ending fund balances of \$203,932,187, an increase of \$3,908,092 in comparison with the prior year's balance of \$200,024,095. The Governmental funds increase is composed of increases in the Refuse Disposal Districts Fund of \$5,111,954 and the Capital Projects Fund of \$5,690,862, partially offset by the decreases in the General Fund of \$4,457,836, the Combined Sewer Districts Fund of \$908,176 and the Other Governmental Funds of \$1,528,712.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$141,215,989 or 8.11% of total General Fund expenditures.
- The County's long-term bond debt increased by \$124,451,935 (17.6 percent) during 2010. The major factor contributing to this increase was the issuance of \$163,685,000 of general obligation bonds, \$94,005,000 of general obligation refunding bonds, and \$32,270,244 of New York State Environmental Facilities Corporation bonds, partially offset by annual debt payments amounting to \$165,508,309. Subsequent to year-end 2010, the County issued a \$50,000,000 Tax Anticipation Note on April 15, 2011 and \$9,198,000 of Bond Anticipation Notes on February 24, 2011.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

### **Government-Wide Financial Statements**

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

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

The statement of activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

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

The government-wide financial statements include not only the County itself (known as the primary government) and business type activity (Westchester Tobacco Asset Securitization Corporation, a blended component unit), but also legally separate discretely presented component units for which the County is financially accountable.

The discretely presented component units are comprised of the following:

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

The Combining Statement of Net Assets for these component units is reported separately from the financial information presented for the primary government itself, on page 48.

The government-wide financial statements can be found on pages 30-32 of this report.

## **Fund Financial Statements**

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

### **Governmental Funds**

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

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

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

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

The basic governmental fund financial statements can be found on pages 34-43 of this report.

### **Proprietary Funds**

The blended component unit and the internal service funds are the proprietary funds maintained by the County. Internal service funds are used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for the health benefits of its employees and retirees, to provide for claims made against the County by third

parties, to provide workers' compensation coverage for the employees of the County, and for retirement costs. All four of the internal service funds (individual fund data for the internal service funds are provided in the form of combining statements shown in Exhibits N-1 through N-3) benefit governmental activities and have been included within governmental activities in the government-wide financial statements.

### **Fiduciary Funds**

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

The fiduciary fund financial statement can be found on page 47 of this report.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 50-94 of this report.

### **Other Information**

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The government-wide financial statements are being provided for the eighth year using the full accrual basis of accounting and a comparative analysis in accordance with GASB # 34. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Primary Governmental Activities (County), assets exceeded liabilities by \$1,167,218,195 and \$1,305,248,529 at the close of 2010 and 2009, respectively.

The County's investment in capital assets (e.g., land, buildings, construction-in-progress, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding is 129% of the County's net asset position at December 31, 2010. The County uses these capital assets to provide services to citizens. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to repay these liabilities.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Current and other assets	\$ 781,757,505	\$ 678,342,104	\$ 30,771,000	\$ 31,557,946	\$ 812,528,505	\$ 709,900,050
Capital assets, net	2,436,751,223	2,333,214,113			2,436,751,223	2,333,214,113
Total assets	3,218,508,728	3,011,556,217	30,771,000	31,557,946	3,249,279,728	3,043,114,163
Current liabilities	680,430,283	623,814,079	2,712,273	2,796,326	683,142,556	626,610,405
Long-term liabilities	1,370,860,250	1,082,493,609	164,225,874	165,430,053	1,535,086,124	1,247,923,662
Total liabilities	2,051,290,533	1,706,307,688	166,938,147	168,226,379	2,218,228,680	1,874,534,067
Net assets:						
Invested in capital assets, net of related debt	1,512,274,390	1,461,134,883			1,512,274,390	1,461,134,883
Restricted	132,880,412	133,198,067			132,880,412	133,198,067
Unrestricted	(477,936,607)	(289,084,421)	(136,167,147)	(136,668,433)	(614,103,754)	(425,752,854)
Total net assets	\$ 1,167,218,195	\$ 1,305,248,529	\$ (136,167,147)	\$ (136,668,433)	\$ 1,031,051,048	\$ 1,168,580,096

A portion of the County's 2010 net assets of \$132,880,412 (11.4%) represents resources that are subject to external restrictions on how they may be used. The 2010 unrestricted deficit is \$477,936,607.

The activities of Westchester Tobacco Asset Securitization Corporation ("WTASC") are reflected as a business-type blended component unit. The County has no obligation for the debt of WTASC. The business-type activity reflected a deficit balance of \$136,167,147, a reduction of \$501,286 from 2009.

**Governmental Activities**

Governmental activities decreased the County's total net assets for 2010 by \$138,030,334. A comparative analysis of the changes in net assets follows:

# COUNTY OF WESTCHESTER

## CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 239,220,079	\$ 231,876,094	\$ —	\$ —	\$ 239,220,079	\$ 231,876,094
Operating Grants & Contributions	577,038,831	582,882,565	—	—	577,038,831	582,882,565
Capital Grants & Contributions	19,326,137	94,143,718	—	—	19,326,137	94,143,718
Total Program Revenues	835,585,047	908,902,377	—	—	835,585,047	908,902,377
General Revenues						
Taxes on Real Property	702,408,897	680,567,241	—	—	702,408,897	680,567,241
Sales Tax	443,664,756	413,978,855	—	—	443,664,756	413,978,855
Mortgage Tax	12,969,204	12,425,216	—	—	12,969,204	12,425,216
Earnings on Investments	9,828,213	10,222,868	579,129	581,155	10,407,342	10,804,023
Tobacco Revenue	—	—	13,253,785	13,979,574	13,253,785	13,979,574
Auto Use Tax	14,821,113	15,059,583	—	—	14,821,113	15,059,583
Hotel Tax	4,751,110	4,119,041	—	—	4,751,110	4,119,041
Miscellaneous	102,989,457	95,404,931	—	—	102,989,457	95,404,931
Total General Revenues	1,291,432,750	1,231,777,735	13,832,914	14,560,729	1,305,265,664	1,246,338,464
Total Revenues	2,127,017,797	2,140,680,112	13,832,914	14,560,729	2,140,850,711	2,155,240,841
<b>Expenses:</b>						
General Government	267,451,697	283,478,633	212,589	215,920	267,664,286	283,694,553
Education	176,013,742	170,010,878	—	—	176,013,742	170,010,878
Public Safety	442,200,886	377,668,446	—	—	442,200,886	377,668,446
Health Services	160,066,067	158,463,585	—	—	160,066,067	158,463,585
Transportation	201,937,897	207,255,550	—	—	201,937,897	207,255,550
Economic Assistance	725,664,366	728,970,535	—	—	725,664,366	728,970,535
Culture and Recreation	81,415,850	72,777,678	—	—	81,415,850	72,777,678
Home & Community Services	178,060,226	186,476,802	—	—	178,060,226	186,476,802
Interest	34,055,737	30,745,482	11,300,702	11,453,140	45,356,439	42,198,622
Total Expenses	2,266,866,468	2,215,847,589	11,513,291	11,669,060	2,278,379,759	2,227,516,649
(Decrease)/Increase in Net Assets Before Transfers	(139,848,671)	(75,167,477)	2,319,623	2,891,669	(137,529,048)	(72,275,808)
Transfers	1,818,337	1,918,859	(1,818,337)	(1,918,859)	—	—
(Decrease)/ Increase in Net Assets	(138,030,334)	(73,248,618)	501,286	972,810	(137,529,048)	(72,275,808)
Net Assets at Beginning of Year	1,305,248,529	1,378,497,147	(136,668,433)	(137,641,243)	1,168,580,096	1,240,855,904
Net Assets at End of Year	\$ 1,167,218,195	\$ 1,305,248,529	\$ (136,167,147)	\$ (136,668,433)	\$ 1,031,051,048	\$ 1,168,580,096

## For the Year 2010—Governmental Activities

Program revenues were \$73.3 million lower in 2010 than in 2009 due to increases or (decreases) in the following governmental activities:

- *Transportation*: (\$81.8) million, of which \$83.3 million decrease is reflected in capital grants and contributions, a large portion associated with the decrease in Federal and State grants for the purchase of buses, commuter coaches and Para transit vans for Westchester County, and a net decrease of \$.7 million in other transit related grants. These decreases were partially offset by an increase in service fees of \$2.2 million.
- *Health Services*: (\$11.3) million which is primarily attributable to a decrease in operating grants and contributions of \$9.7 million pertaining to a decrease in State Aid primarily for the education of handicap children. The balance of the decrease is due to reduced service fees.
- The balance of the program revenues were: increases in *Public Safety* – \$4.6 million, *Culture and Recreation* – \$2.3 million, *Economic Assistance* – \$.9 million, *Home and Community Services* – \$2.6 million, *Education* – \$8.5 million, and *General Government* \$.9 million.

Property taxes for all tax supported funds increased by \$21.8 million (3.2%) during the year.

Sales tax (before distribution to municipalities) increased \$29.7 million, which was a 7.2% increase from the prior year, principally as a result of the improving economy in the region. Included in General Government expense below is an increase of \$7.4 million in sales tax distribution to municipalities within the County. The net sales tax increase after distribution to municipalities was \$22.3 million.

Miscellaneous revenues increased by \$7.6 million, primarily due to a change of \$9.5 million for the value of investments held by the Internal Service Funds (a depreciation of \$8.1 million in 2009 and an appreciation of \$1.4 million in 2010), an \$8.3 million reimbursement from WCHCC, a reduction in excess program reserves of \$1.2 million, and other net miscellaneous revenues increase of \$4.1 million, partially offset by the Inter Governmental Transfer decrease of \$15.5 million.

As stated in the Financial Highlights, the County recorded in accordance with GASB Statement No 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions” (GASB 45), an estimated post retirement health insurance liability of \$180.1 million in 2010, up from the prior year’s \$80.7 million largely due to applying actuarial assumptions on a more conservative basis. Both amounts are included in the Governmental Activities expenses in the Statement of Changes in Net Assets above. Postemployment benefits are part of an exchange of current salaries and benefits for services rendered by employees. Prior to GASB 45 being implemented in 2007, the County’s post retirement health insurance was reported on a pay-as-you-go basis. GASB 45 requires the financial reports of governments to provide the annual Other Post Employment Benefits (OPEB) cost on an accrual basis.

*General Government* expenses decreased by \$16.0 million primarily due to reduced health insurance, workers compensation and retirement costs of \$46.8 million and reduced equipment, materials, supplies and contract costs of \$6.2 million, partially offset by increased personal services costs and other employee fringe benefits of \$22.5 million of which \$17.2 million is for increased OPEB costs, an increase in distribution of sales tax to municipalities of \$7.4 million (see sales tax above), an increase in casualty and general insurance of \$5.1 million, and an increase in other miscellaneous expense of \$2.0 million.

*Education* increased \$6.0 million, primarily due to increased services provided by third party contractors to children with special needs of \$2.3 million, additional support of community colleges within the County of \$.9 million and an increase of \$2.8 million for depreciation expense.

*Public Safety* expenses increased by \$64.5 million due to increases of \$56.6 million for personal service and other employee fringe benefit costs of which \$38.5 million is for increased OPEB costs, indigent legal service costs of \$4.0 million and an increase of \$6.4 million in contract costs associated with departments of corrections and probation, partially offset by decreases in State Court infrastructure support of \$1.1 million and equipment, materials, supplies and other miscellaneous costs of \$1.4 million.

*Health Services* increased by \$1.6 million primarily due to increases of \$13.7 million for personal services and other fringe benefit costs of which \$8.7 million is for increased OPEB costs, partially offset by \$7.2 million of reduced health programs caused by decreased levels of Federal and State Aid, reduced costs associated with Westchester County Health Care Corporation of \$3.7 million and, other reduced costs of \$1.2 million.

*Transportation* decreased by \$5.3 million due to the reduced equipment costs of \$7.5 million, reduced bus operating assistance of \$2.7 million, and other contract costs of \$1.7 million. This decrease was partially offset by increased depreciation expense of \$3.2 million due primarily from the purchases of buses in the previous year and also increased employee fringe costs of \$3.4 million for OPEB costs.

*Economic Assistance* decreased by \$3.3 million, partly due to a reduced disproportionate share of medical assistance for Westchester County Health Care Corporation of \$15.5 million and a reduction in other contract costs and aid of \$19.3 million. The decrease was partially offset by a \$25.2 million increase in personal service and other employee fringe benefits costs of which \$18.4 million is for increased OPEB costs, and an increase of \$6.3 million in the Medicaid participation as per the Medicaid Cap formula.

*Culture and Recreation* increased by \$8.6 million due to increase of \$11.1 million in personal service and other employee fringe benefits costs of which \$7.2 million is for increased OPEB costs, partially offset by reduced equipment costs of \$1.2 million and reduced materials, supplies and contract costs of \$1.3 million.

*Home and Community Services* decreased by \$8.4 million due to decreases in refuse disposal costs of \$12.8 million associated with organic waste removal and energy related costs, reduced equipment costs of \$4.6 million and, other operating costs of \$.4 million. Partially offsetting this

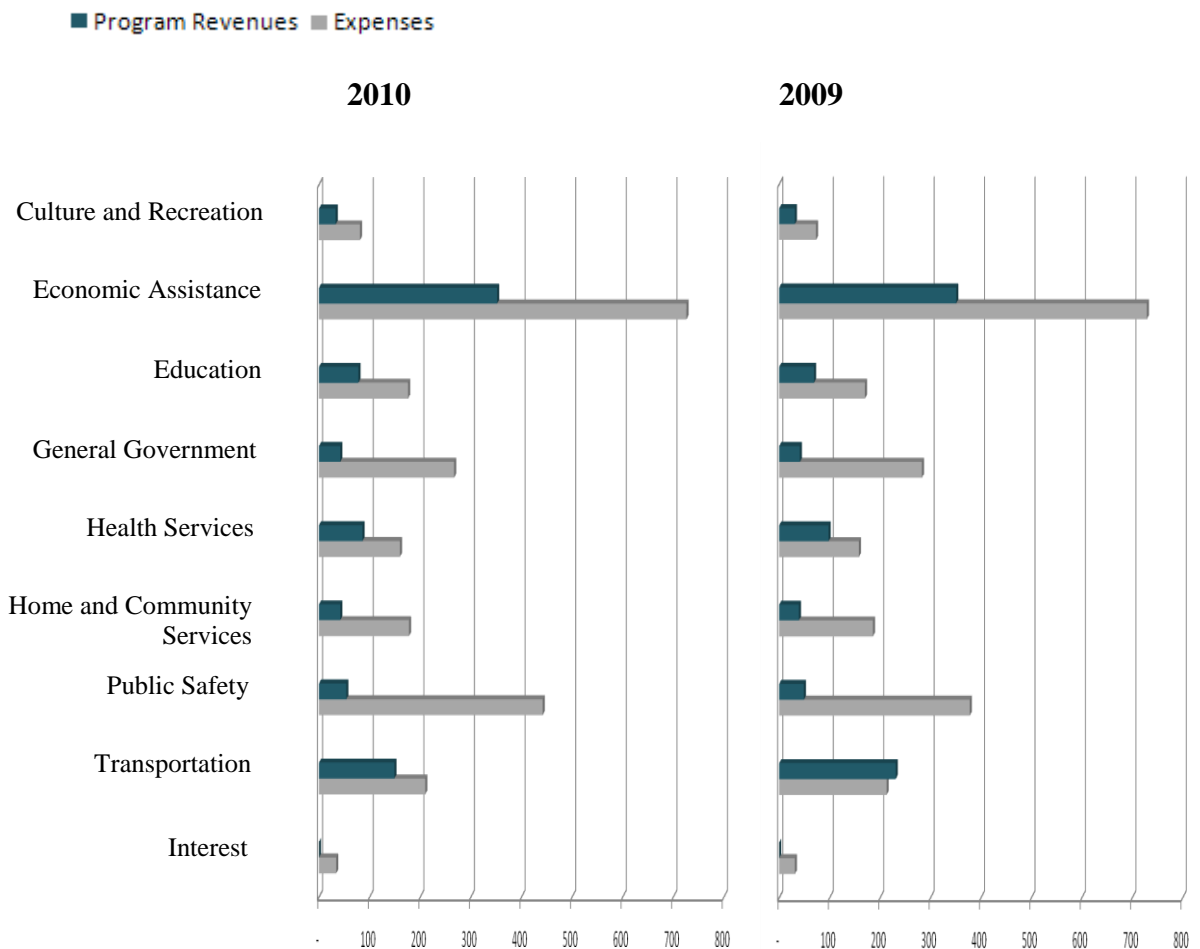


decrease was \$9.4 million increased personal service and other employee fringe costs of which \$6.0 million is for increased OPEB costs.

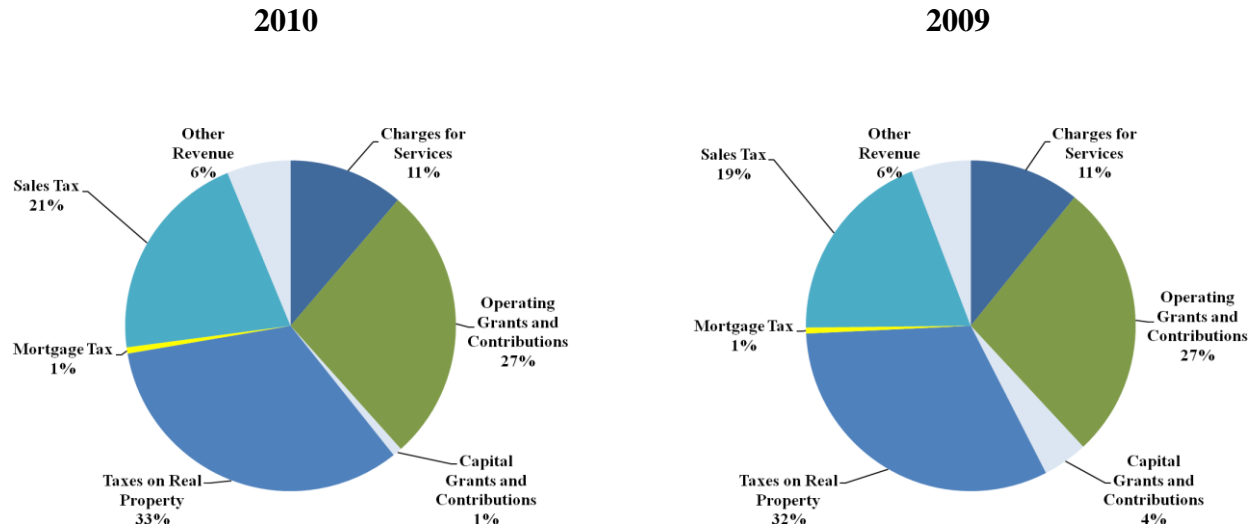
*Interest* increased by \$3.3 million due to the 2010 debt levels being higher than 2009 by approximately \$224.0 million.

The following graphs and charts were derived from the current and prior year Governmental Activities.

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



## Revenues by Source—Governmental Activities



### Financial Analysis of the Government's Funds

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

#### Governmental Funds

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

As of December 31, 2010, the County's governmental funds reported a combined ending fund balance of \$203.9 million, an increase of \$3.9 million in comparison with \$200.0 million of the prior year. Of the total combined fund balances, \$174.2 million constitutes unreserved fund balances. The amount designated for subsequent year's expenditures is \$69.0 million and represents the amount estimated in the 2011 budget. Various other designations in the unreserved fund balances amounted to \$63.4 million, leaving an undesignated balance of \$41.8 million available for spending at the County's discretion. The reserved fund balance of \$29.7 million is reserved to indicate that it is not available for new spending because it has already been committed to encumbrances (\$7.7 million), debt service (\$8.5 million) and other purposes (\$13.5 million).

The General Fund is the primary operating fund of the County. At the end of the 2010 and 2009 fiscal years, the total fund balance of the General Fund was \$160.1 million and \$164.5

million, respectively. Of these amounts, \$141.2 million and \$144.9 million were unreserved for 2010 and 2009, respectively.

The Combined Sewer Districts Fund (a major fund) had a fund balance of \$67.2 million, a decrease of \$.9 million from 2009's fund balance of \$68.1 million. The decrease was due to the deficiency of revenues over expenditures of \$.6 million and the contribution of \$.3 million to the general fund.

The Refuse Disposal District Fund (a major fund) had a fund balance of \$60.2 million, which is an increase of \$5.1 million from year 2009's fund balance of \$55.1 million. The increase was due to the excess of revenues over expenditures of \$6.3 million primarily from higher revenue on real property taxes and lower recycling, recovery and disposal costs, partially offset by the contribution of \$1.2 million to the capital projects fund for refuse disposal capital projects.

The Capital Projects Fund (a major fund) is used to account for capital project activity throughout the County. The Capital Projects Fund's ending fund deficit was \$126.3 million for fiscal year 2010, as compared to a fund deficit of \$132.0 million in 2009. The decrease in deficit of \$5.7 million was principally due to the deficiency of revenues over expenditures of \$164.0 million being offset by net financing revenue of \$169.7 million.

Nonmajor Governmental Funds consist of the Special Revenue Funds. The Special Revenue Funds are composed of the following individual funds: Airport Fund, Water Districts Fund and Grants Fund. For fiscal year ending December 31, 2010, the combined fund balance of these funds totaled \$42.8 million. This represents a decrease of \$1.5 million for fiscal year 2010 over year 2009's balance of \$44.3 million. The primary reason for the decrease was the deficiency of revenues over expenditures of \$7.4 million, partially offset by \$5.9 million of transfers in.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

When the fiscal 2010 budget was adopted, it anticipated the use of \$71.7 million of fund balance. Overall, General Fund expenditures were \$1,742.1 million, which was \$70.6 million less than the final budget. Contributing to this decrease was reduced personal services costs of approximately \$11.2 million largely due to early retirements from the 2010 County and State retirement incentives. The major areas where spending was less than budget were General Government Support (\$10.8 million), Economic Assistance (\$34.6 million), Public Safety (\$9.4 million), Health Services (\$4.6 million) and Transportation (\$4.5 million).

The General Fund final budget was increased over the original budget in the amount of \$58.4 million due to the disproportionate share medical assistance for the Westchester County Health Care Corporation.

During the year, actual revenues were less than the final budget in the amount of \$3.7 million. Actual revenues were less than budget as follows: State Aid for Social Services and Other (\$20.4 million) and Departmental Income (\$3.8 million). Partially offsetting these decreases were Sales Tax increase \$11.1 million, Federal Aid for Social Services and Other \$7.2 million greater than budget primarily as a result of the Federal Medicaid Assistance Program in excess of budget by \$12.5 million offset by other reductions of \$5.3 million, and Miscellaneous Revenues was \$2.2 million more than final budget primarily due to the release of 2009 excess program reserves of \$7.3 million partially offset by reduced reimbursements from WCHCC of \$3.5 million and other revenues of \$1.6 million.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### ***Capital Asset***

The County's investment in capital assets for its governmental activities as of December 31, 2010 amounts to \$2,436,751,223 (net of accumulated depreciation) as compared to \$2,333,214,113 in 2009, an increase of \$103,537,110. This investment in capital assets includes land, buildings, equipment, infrastructure and construction-in-progress. The total increase in the County's investment in capital assets for the current fiscal year was 4.4% percent.

Major capital asset expenditures during 2010 included the following:

- Land acquisition and improvements of \$9.65 million. Land acquisition is part of the County Executive's Legacy Program to preserve and create open space in the County.
- Building Improvements and additions increased by \$68.7 million of which \$29.1 million was for Westchester County facilities and \$39.6 million was for Westchester Community College facilities.
- Equipment additions of \$15.9 million of which \$8.3 million is due to Public Safety's investment in emergency traffic diversion equipment, communication facility and equipment and the gunshot detection system.
- Construction-in-Progress increased by \$58.9 million due to improvements to County facilities and equipment, \$38.8 million being associated with meeting mandatory nitrogen discharge standards set by the New York State Department of Environmental Conservation.
- Improvements to the County's roads and bridges as well as sewage and waste water treatment facilities were major portions of the \$27.8 million Infrastructure increase.

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

	<b>Total Governmental Activities</b>	
	<b>2010</b>	<b>2009</b>
Land	\$ 276,055,312	\$ 266,402,712
Buildings	814,329,880	745,595,172
Equipment	407,854,037	391,962,659
Construction-in-Progress	333,285,388	274,428,266
Infrastructure	1,502,598,299	1,474,817,750
Total	3,334,122,916	3,153,206,559
Less Accumulated Depreciation	897,371,693	819,992,446
Net Capital Assets	<u>\$ 2,436,751,223</u>	<u>\$ 2,333,214,113</u>

Additional information on the County's capital assets can be found in Note 3 on page 59 of this report.

## ***Long-Term Debt***

At the end of 2010, the County had a total bonded long-term debt outstanding of \$829,750,770 and a capital lease liability of \$113,614,419.

General Obligation Bonds and Notes	
Total Governmental Activities	
2010	2009
\$ 829,750,770	\$ 705,298,835

The County's total long-term debt increased \$124,451,935 (17.6%) during 2010. The major factor contributing to this increase was the issuance of \$163,685,000 of general obligation bonds, \$94,005,000 of general obligation refunding bonds, and \$32,270,244 of New York State Environmental Facilities Corporation bonds, partially offset by annual debt payments amounting to \$165,508,309. Subsequent to year end 2010, the County issued a \$50,000,000 Tax Anticipation Note on April 15, 2011 and \$9,198,000 of Bond Anticipation Notes on February 24, 2011.

In addition to this long-term debt, the County had previously guaranteed \$146,930,000 of Westchester County Health Care Corporation (WCHCC) bonds issued in November and December of 2000. At the end of 2009, the balance of these bonds was \$113,195,000 and in December of 2010 their outstanding balances were refunded as part of WCHCC's issuance of 2010 series bonds. There are no Westchester County guarantees remaining on current WCHCC outstanding debt.

The County maintains a AAA credit bond rating from Moody's Investor Service, Standard and Poor's Corporation and Fitch.

State statutes limit the amount of general obligation debt a County may issue to 7% of its five year average full valuation. For 2010 the five year average full valuation is \$181,954,233,884. The current debt limitation for the County is therefore \$12,736,796,372, which is significantly in excess of the County's outstanding debt. The percentage of debt contracting power exhausted as of December 31, 2010 is 5.81%.

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

## **BUSINESS TYPE ACTIVITY**

Westchester Tobacco Asset Securitization Corporation ("WTASC") is a special purpose corporation and a subsidiary corporation of the Westchester County Health Care Corporation ("WCHCC"). WTASC was organized under the New York State Not-for-Profit Corporation Law and pursuant to the Public Authorities Law of the State of New York. The By-Laws of WTASC specify that the Board of Directors of WTASC consists of three members; one director designated by WCHCC to be the Commissioner of Finance of the County of Westchester, New York ("County"), one director designated by WCHCC to be the WCHCC board representative selected by the Majority Leader of the County Board of Legislators, and a third director who meets certain requirements of independence and shall be designated by the other two members.

An agreement among the attorney generals of 46 states and various territories (Settling States) and the four largest United States tobacco manufacturers was entered into on November 23, 1998. The agreement, known as the Master Settlement Agreement (MSA), resolved cigarette smoking-related litigation between the Settling States and U.S. Tobacco manufacturers. Pursuant to the MSA, the Settling States and the participating manufacturers agreed to settle all past, present and future smoking related claims in exchange for an agreement by the participating manufacturers to make certain payments. Under the MSA, the State of New York is entitled to receive approximately 12.76% of the initial and annual payments. The New York Consent Decree, which was entered into in the Supreme Court of the State of New York for the County of New York in December 1998, allocated 1.926% of this State-wide share of the initial and annual payments to the County and the remainder among the State, the City of New York and all other counties within the State.

During 2005, WTASC issued \$216,600,000 of Series 2005 bonds with interest rates ranging from 4.65% to 5.30%, depending upon maturity. The gross proceeds from this issuance were \$211,842,422. Proceeds of \$171,280,542 were used to purchase U.S. Government and U.S. Treasury Securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 1999 bonds. The series 1999 bonds are considered to be defeased and the liability for those bonds has been removed from the statement of net assets.

The reacquisition price exceeded the net carrying amount of the old debt by \$38,075,299 and the original issue discount ("OID") paid was \$4,757,578. These amounts are being netted against the new debt and amortized over the remaining life of the refunded debt. Unamortized balances on the reacquisition price and OID at December 31, 2010 are \$32,760,624 and \$4,093,502, respectively.

The County determined as a result of a GASB bulletin that it must include the WTASC in its financial statements starting with 2004. WTASC's accounting principles are consistent with those applicable to proprietary funds; consequently, the activities of WTASC are reflected as a business type blended component unit. The County has no obligation for the debt of WTASC.

The large deficit in WTASC is a result of the GASB Technical Bulletin No. 2004-1, which clarified certain asset recognition criteria. The GASB has promulgated that Tobacco Settlement Revenues (TSR's) should only be recognized when the event giving rise to recognition (i.e. the shipment of cigarettes) occurs. Pursuant to this technical bulletin, the WTASC cannot recognize future tobacco revenue rights even though the bonds payable will only be paid from future tobacco revenues with no obligation of the County.

Additional information on WTASC can be found in Note 3 beginning on page 59 of the report.

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

The Westchester County Health Care Corporation (WCHCC), a discretely presented component unit of the County of Westchester, had a decrease in net deficit of \$6.4 million for the year 2010 and a decrease in net deficit of \$7.6 million for the year 2009. WCHCC's net deficit at December 31, 2010 and 2009 was \$10.5 million and \$16.9 million, respectively.

Note 1 of notes to financial statements of WCHCC discloses:

*“The State of New York enacted legislation during January 1997 to authorize the creation of Westchester County Health Care Corporation (WCHCC) in response to the efforts of Westchester County (the County) to provide a form of governance for the Westchester Medical Center (the Medical Center) and Taylor Care Center (operating units of WCHCC) with the flexibility to cope with a rapidly changing health care environment, to become more competitive, and to provide the County and area residents with quality health care in an efficient and progressive manner. A 15-member board was appointed in July 1997, and WCHCC began operations on January 1, 1998. WCHCC is a component unit of the County. In 2009, WCHCC closed Taylor Care Center effective April 1, 2009.”*

Additional information on WCHCC can be found in Note 3 beginning on page 59 of the report.

### **REQUESTS FOR INFORMATION**

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

Westchester County  
Statement of Net Assets  
December 31, 2010

	Primary Government			
	Governmental Activities	Business Type Activities	Total	Component Units
<b>ASSETS</b>				
<b>Current assets</b>				
Cash	\$ 285,888,624	\$ 127,444	\$ 286,016,068	\$ 234,102,047
Investments	171,650,983	—	171,650,983	580,921
Accounts Receivable, Net of Allowance	108,905,342	13,376,131	122,281,473	122,910,768
Assets Limited as to Use	—	—	—	39,057,182
Due From Federal and State Governments	203,968,927	—	203,968,927	—
Deferred Charges	11,343,629	—	11,343,629	—
Other Assets	—	—	—	23,642,705
Total current assets	781,757,505	13,503,575	795,261,080	420,293,623
<b>Non current assets</b>				
Assets Limited as to Use	—	14,134,841	14,134,841	111,953,244
Land and Improvements	276,055,312	—	276,055,312	9,539,218
Buildings	814,329,880	—	814,329,880	386,490,983
Equipment	407,854,037	—	407,854,037	352,470,293
Construction in Progress	333,285,388	—	333,285,388	11,956,532
Infrastructure	1,502,598,299	—	1,502,598,299	—
Accumulated Depreciation	(897,371,693)	—	(897,371,693)	(455,966,513)
Deferred Charges	—	3,132,584	3,132,584	—
Other Assets	—	—	—	18,600,453
Total non current assets	2,436,751,223	17,267,425	2,454,018,648	435,044,210
Total assets	3,218,508,728	30,771,000	3,249,279,728	855,337,833
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts Payable and Accrued Liabilities	368,668,397	893,936	369,562,333	247,535,003
Accrued Interest Payable	6,858,834	—	6,858,834	—
Due to Other Governments	—	1,818,337	1,818,337	5,758,150
Bond Anticipation Notes Payable	206,485,000	—	206,485,000	—
Deposits in Escrow	92,930	—	92,930	—

continued



	Primary Government			Component Units
	Governmental Activities	Business Type Activities	Total	
<b>LIABILITIES (Continued)</b>				
<b>Current liabilities (continued):</b>				
Due Within One Year:				
Compensated Absences	4,017,639	—	4,017,639	869,691
Landfill Post Closing Costs	914,857	—	914,857	—
Capital Lease Payable	8,272,500	—	8,272,500	—
Bonds Payable	84,120,126	—	84,120,126	10,301,861
Judgments and Claims	1,000,000	—	1,000,000	—
Total current liabilities	680,430,283	2,712,273	683,142,556	264,464,705
<b>Non Current liabilities:</b>				
Due in More Than One Year:				
Compensated Absences	36,158,748	—	36,158,748	8,205,312
Landfill Post Closing Costs	33,505,981	—	33,505,981	—
Capital Lease Payable	105,341,919	—	105,341,919	—
Bonds Payable	753,568,765	164,225,874	917,794,639	393,159,583
Judgments and Claims	30,445,000	—	30,445,000	—
Estimated Self-Insurance Liability	—	—	—	93,072,630
Estimated Post Retirement Health Insurance Liability	411,839,837	—	411,839,837	59,163,527
Estimated Liability to Third-Party Payors	—	—	—	46,082,882
Total non current liabilities	1,370,860,250	164,225,874	1,535,086,124	599,683,934
Total liabilities	2,051,290,533	166,938,147	2,218,228,680	864,148,639
<b>NET ASSETS</b>				
Invested in Capital Assets Net of Related Debt	1,512,274,390	—	1,512,274,390	28,818,111
Restricted For:				
E911 and related	3,474,709	—	3,474,709	—
Special Revenue Funds:				
Sewer Districts	42,556,692	—	42,556,692	—
Water Districts	8,486,534	—	8,486,534	—
Refuse Disposal District	23,661,729	—	23,661,729	—
Airport	16,846,705	—	16,846,705	—
Grants	4,427,249	—	4,427,249	—
Casualty Claims	19,883,092	—	19,883,092	—
Retirement	5,076,344	—	5,076,344	—
Debt Service	8,467,358	—	8,467,358	—
Component Unit - Westchester County Healthcare Care Corporation	—	—	—	5,753,905
Component Unit - Westchester Community College	—	—	—	300,728
Unrestricted	(477,936,607)	(136,167,147)	(614,103,754)	(43,683,550)
Total net assets	\$ 1,167,218,195	\$ (136,167,147)	\$ 1,031,051,048	\$ (8,810,806)

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

Westchester County  
Statement of Activities  
Year Ended December 31, 2010

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating		Capital Grants and Contributions	Primary Government		
			Grants and Contributions	Grants and Contributions		Governmental Activities	Business Type Activities	Component Units
<b>Primary government:</b>								
Governmental activities:								
General Government	\$ 267,451,697	\$ 40,666,354	\$ 960,904	\$ 428,582	\$ (225,395,857)	\$ (225,395,857)	\$ (225,395,857)	\$ —
Education	176,013,742	—	71,180,053	6,665,809	(98,167,880)	(98,167,880)	(98,167,880)	—
Public Safety	442,200,886	23,191,596	30,537,785	—	(388,471,505)	(388,471,505)	(388,471,505)	—
Health Services	160,066,067	25,827,933	60,564,728	—	(73,673,406)	(73,673,406)	(73,673,406)	—
Transportation	201,937,897	77,066,054	61,003,616	10,846,276	(53,021,951)	(53,021,951)	(53,021,951)	—
Economic Assistance	725,664,366	3,397,939	348,183,069	—	(374,083,358)	(374,083,358)	(374,083,358)	—
Culture and Recreation	81,415,850	32,761,570	49,451	677,107	(47,927,722)	(47,927,722)	(47,927,722)	—
Home and Community Services	178,060,226	36,308,633	4,559,225	708,363	(136,484,005)	(136,484,005)	(136,484,005)	—
Interest	34,055,737	—	—	—	(34,055,737)	(34,055,737)	(34,055,737)	—
Business type activities:								
Tobacco Securitization	2,266,866,468	239,220,079	577,038,831	19,326,137	(1,431,281,421)	(1,431,281,421)	(1,431,281,421)	—
	11,513,291	—	—	—	(11,513,291)	(11,513,291)	(11,513,291)	—
Total primary government	\$ 2,278,379,759	\$ 239,220,079	\$ 577,038,831	\$ 19,326,137	\$ (1,431,281,421)	(1,431,281,421)	(1,442,794,712)	—
<b>Component units:</b>								
Industrial Development Agency	\$ 1,446,456	\$ 1,143,462	\$ —	\$ —	—	—	—	(302,994)
Westchester County Health Care Corporation	885,624,032	888,874,220	—	—	—	—	—	3,250,188
Public Utilities Service Agency	4,174,043	4,305,299	—	—	—	—	—	131,256
Westchester Community College	130,219,381	35,888,808	79,865,145	3,973,186	—	—	—	(10,492,242)
Total component units	\$ 1,021,463,912	\$ 930,211,789	\$ 79,865,145	\$ 3,973,186	—	—	—	(7,413,792)
General revenues:								
Taxes on Real Property						702,408,897	—	—
Sales Tax						443,664,756	—	—
Mortgage Tax						12,969,204	—	—
Auto Use Tax						14,821,113	—	—
Hotel Tax						4,751,110	—	—
Harness Racing Admissions Tax						2,705	—	—
Earnings on Investment						579,129	10,407,342	3,174,425
Tobacco Revenues						—	13,253,785	—
Miscellaneous						102,986,752	—	—
Transfers						1,818,337	(1,818,337)	—
						1,293,251,087	12,014,577	3,174,425
						(138,030,334)	501,286	(4,239,367)
						1,305,248,529	(136,668,433)	(4,571,439)
						\$ 1,167,218,195	\$ 1,031,051,048	\$ (8,810,806)
Total general revenues and transfers								
Change in net assets								
Net assets (deficits) - beginning, as restated								
Net assets (deficits) - ending								

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

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Westchester County  
Balance Sheet  
Governmental Funds  
December 31, 2010

Exhibit A-1

	General Fund	Combined Sewer Districts Fund	Refuse Disposal District Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash	\$ 23,281,524	\$ 60,000,000	\$ 55,000,000	\$ 41,819,070	\$ 57,259,185	\$ 237,359,779
Investments	—	—	—	113,170,045	—	113,170,045
Accounts Receivable, Net	89,462,517	324,044	3,866,894	—	10,571,691	104,225,146
Due from Federal and State Governments	182,841,608	—	—	3,200,549	17,926,770	203,968,927
Due from Other Funds	61,562,197	10,742,754	6,446,004	—	8,260,588	87,011,543
Deferred Charges	—	—	—	153,535	—	153,535
Total assets	\$ 357,147,846	\$ 71,066,798	\$ 65,312,898	\$ 158,343,199	\$ 94,018,234	\$ 745,888,975
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts Payable and Accrued Liabilities	\$ 158,435,355	\$ 3,907,772	\$ 5,093,085	\$ 24,109,696	\$ 51,231,485	\$ 242,777,393
Bond Anticipation Notes Payable	—	—	—	206,485,000	—	206,485,000
Due to Other Funds	38,539,052	—	—	54,062,413	—	92,601,465
Deposits in Escrow	92,930	—	—	—	—	92,930
Total liabilities	197,067,337	3,907,772	5,093,085	284,657,109	51,231,485	541,956,788
Fund Balances (Deficits):						
Reserved for:						
Encumbrances	5,389,811	822,672	531,622	—	998,407	7,742,512
E911 and related	3,474,709	—	—	—	—	3,474,709
State Receivable	10,000,000	—	—	—	—	10,000,000
Debt Service	—	—	—	8,467,358	—	8,467,358
Unreserved, reported in:						
General Fund	141,215,989	—	—	—	—	141,215,989
Special Revenue Funds	—	66,336,354	59,688,191	—	41,788,342	167,812,887
Capital Projects Fund	—	—	—	(134,781,268)	—	(134,781,268)
Total fund balances (deficits)	160,080,509	67,159,026	60,219,813	(126,313,910)	42,786,749	203,932,187
Total liabilities and fund balances (deficits)	\$ 357,147,846	\$ 71,066,798	\$ 65,312,898	\$ 158,343,199	\$ 94,018,234	\$ 745,888,975

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

**WESTCHESTER COUNTY**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2010**

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

Fund balances of governmental funds	\$ 203,932,187
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

	2,436,751,223
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Long term liabilities that are not due and payable in the current period and therefore are not reported in the funds:

Bonds Payable	(831,643,788)
Capital Leases	<u>(113,614,419)</u>
	(945,258,207)

Governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities - Bond premiums, loss of refunding and deferred charges.

	(6,045,103)
--	-------------

Other liabilities that are not due and payable in the current period and, therefore, are not reported in the funds:

Accrued Interest Payable	(9,489,993)
Compensated Absences Payable	(40,176,387)
Certiorari Claims Payable	(2,026,198)
Landfill Post Closing Costs	(34,420,838)
Judgments and Claims	(31,445,000)
Estimated Post Retirement Health Insurance Liability	<u>(529,398,253)</u>

Internal Service funds are used by management to charge the costs of health benefits, workers' compensation claims and general liability claims to individual funds.  
The assets and liabilities of the internal service funds are included in governmental activities in the statements of net assets.

	<u>7,236,348</u>
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Net Assets of Governmental Activities

	<u>\$ 1,167,218,195</u>
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The notes to the financial statements are an integral part of this statement.

Westchester County  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended December 31, 2010

	General Fund	Combined Sewer Districts Fund	Refuse Disposal Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes on Real Property	\$ 560,753,491	\$ 91,596,524	\$ 46,535,977	\$ —	\$ 3,522,905	\$ 702,408,897
Sales Tax	443,664,756	—	—	—	—	443,664,756
Federal Aid	208,661,703	—	—	10,848,351	57,274,961	276,785,015
State Aid	250,174,571	—	1,416,224	8,477,786	42,292,648	302,361,229
Departmental Income	156,637,520	3,868,477	19,199,859	—	76,916,885	256,622,741
Earnings on Investments	314,731	4,998,250	585,175	336,797	164,935	6,399,888
Auto Use Tax	14,821,113	—	—	—	—	14,821,113
Harness Racing Admissions Tax	2,705	—	—	—	—	2,705
Hotel Tax	4,751,110	—	—	—	—	4,751,110
Mortgage Tax	12,969,204	—	—	—	—	12,969,204
Miscellaneous Revenues	86,963,367	759,352	417,405	4,181,346	5,417,859	97,739,329
Total revenues	1,739,714,271	101,222,603	68,154,640	23,844,280	185,590,193	2,118,525,987
<b>EXPENDITURES</b>						
Current:						
General Government	186,744,729	1,845,760	4,783,820	37,810,420	4,785,725	235,970,454
Education	170,893,914	—	—	21,360,333	—	192,254,247
Public Safety	266,528,696	—	—	11,113,339	15,157,771	292,799,806
Health Services	66,046,917	—	—	422,166	59,979,687	126,448,770
Transportation	129,536,321	—	—	25,944,628	39,157,502	194,638,451
Economic Assistance	602,988,867	—	—	—	50,352,207	653,341,074
Culture and Recreation	49,389,983	—	—	25,074,109	1,149,160	75,613,252
Home and Community Services	4,640,507	58,400,569	52,823,330	65,198,371	15,386,951	196,449,728
Employee Benefits	191,768,579	14,692,423	1,243,622	—	3,202,201	210,906,825
Debt Service:						
Principal	53,268,076	16,112,996	2,122,901	—	1,853,240	73,357,213
Interest	19,471,550	10,037,539	884,013	—	742,995	31,136,097
Other charges	—	—	—	937,599	—	937,599
Capital Outlay	—	741,567	—	—	1,239,480	1,981,047
Cost of New Issues	823,673	—	—	—	—	823,673
Total expenditures	1,742,101,812	101,830,854	61,857,686	187,860,965	193,006,919	2,286,658,236
Excess (Deficiency) of revenues over expenditures	(2,387,541)	(608,251)	6,296,954	(164,016,685)	(7,416,726)	(168,132,249)

	General Fund	Combined Sewer Districts Fund	Refuse Disposal Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>OTHER FINANCING SOURCES (USES)</b>						
Bonds Issued	—	—	—	162,243,978	—	162,243,978
Refunding Bonds Issued	—	—	—	94,005,000	—	94,005,000
Bond Premium	—	—	—	9,998,678	—	9,998,678
Transfers In	3,726,340	11,650	15,000	1,580,500	6,288,514	11,602,004
Transfers Out	(5,796,635)	(311,575)	(1,200,000)	(2,094,957)	(380,500)	(9,783,667)
Payment to Refunded Bond Escrow Agent	—	—	—	(96,025,652)	—	(96,025,652)
Total other financing sources (uses)	(2,070,295)	(299,925)	(1,185,000)	169,707,547	5,888,014	172,040,341
Net change in fund balances	(4,457,836)	(908,176)	5,111,954	5,690,862	(1,528,712)	3,908,092
Fund Balances (Deficits) -- Beginning of year	164,538,345	68,067,202	55,107,859	(132,004,772)	44,315,461	200,024,095
Fund Balances (Deficits) -- End of year	\$ 160,080,509	\$ 67,159,026	\$ 60,219,813	\$ (126,313,910)	\$ 42,786,749	\$ 203,932,187

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

**WESTCHESTER COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2010**

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

Net changes in fund balances—total governmental funds	\$	3,908,092
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay Expenditures	180,916,357	
Depreciation Expense	<u>(77,379,247)</u>	103,537,110

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

Bonds Issued	(289,960,244)	
Bond Premium	(7,551,689)	
Payment to Refunded Bond Escrow Agent	96,025,652	
Principal Paid on Bonds	75,141,328	
Bond Anticipation Notes Paid	32,455,000	
Deferred Amounts on Refunding	627,097	
Net Principal Paid on Capital Lease	<u>6,403,707</u>	(86,859,149)

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

Accrued Interest	(388,224)	
Compensated Absences	7,574,156	
Certiorari Claims	(2,026,198)	
Landfill Post Closure Costs	897,885	
Estimated Post Retirement Health Insurance	<u>(180,100,000)</u>	(174,042,381)

Internal Service Funds are used by management to charge the cost of risk and retirement to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.

	15,425,994	
--	------------	--

Change in net assets of governmental activities.

	<u>\$</u>	<u>(138,030,334)</u>
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The notes to the financial statements are an integral part of this statement.



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Westchester County  
General Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
Year Ended December 31, 2010

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes on Real Property	\$ 560,753,491	\$ 560,753,491	\$ 560,753,491	\$ —
Sales Tax	432,600,000	432,600,000	443,664,756	11,064,756
Federal Aid	190,548,793	201,469,491	208,661,703	7,192,212
State Aid	281,516,977	270,596,279	250,174,571	(20,421,708)
Departmental Income	160,395,507	160,395,507	156,637,520	(3,757,987)
Earnings on Investments	350,000	350,000	314,731	(35,269)
Auto Use Tax	14,900,000	14,900,000	14,821,113	(78,887)
Harness Racing Admissions Tax	5,000	5,000	2,705	(2,295)
Hotel Tax	4,420,000	4,420,000	4,751,110	331,110
Mortgage Tax	13,750,000	13,750,000	12,969,204	(780,796)
Miscellaneous Revenues	25,804,981	84,174,983	86,963,367	2,788,384
Total revenues	1,685,044,749	1,743,414,751	1,739,714,271	(3,700,480)
<b>EXPENDITURES</b>				
Current:				
General Government	191,571,661	197,555,844	186,744,729	10,811,115
Education	172,385,686	172,385,686	170,893,914	1,491,772
Public Safety	273,625,112	275,936,276	266,528,696	9,407,580
Health Services	74,180,894	70,645,842	66,046,917	4,598,925
Transportation	134,024,542	134,024,542	129,536,321	4,488,221
Economic Assistance	579,182,158	637,558,869	602,988,867	34,570,002
Culture and Recreation	53,284,355	53,282,153	49,389,983	3,892,170
Home and Community Services	5,289,871	5,289,871	4,640,507	649,364
Employee Benefits	196,553,673	191,827,751	191,768,579	59,172
Debt Service:				
Principal	53,007,393	53,275,161	53,268,076	7,085
Interest	20,542,001	20,094,235	19,471,550	622,685
Cost of New Issues	650,000	832,200	823,673	8,527
Total expenditures	1,754,297,346	1,812,708,430	1,742,101,812	70,606,618
Deficiency of revenues over expenditures	(69,252,597)	(69,293,679)	(2,387,541)	66,906,138

	Budget			
	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
<b>OTHER FINANCING SOURCES (USES)</b>				
WCHCC Credit Support	\$ 63,000,000	\$ 63,000,000	\$ —	\$ (63,000,000)
Transfers In	4,058,082	4,058,082	3,726,340	(331,742)
Transfers Out	(6,540,415)	(6,553,456)	(5,796,635)	756,821
WCHCC Credit Support Payment	(63,000,000)	(63,000,000)	—	63,000,000
Total other financing uses	(2,482,333)	(2,495,374)	(2,070,295)	425,079
Net change in fund balance	(71,734,930)	(71,789,053)	(4,457,836)	67,331,217
Fund Balance -- Beginning of year	71,734,930	71,789,053	164,538,345	92,749,292
Fund Balance -- End of year	\$ —	\$ —	\$ 160,080,509	\$ 160,080,509

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

Westchester County  
Combined Sewer Districts Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
Year Ended December 31, 2010

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes on Real Property	\$ 91,596,524	\$ 91,596,524	\$ 91,596,524	\$ —
Departmental Income	3,858,028	3,858,028	3,868,477	10,449
Earnings on Investments	3,095,491	3,260,647	4,998,250	1,737,603
Miscellaneous Revenues	317,000	317,000	759,352	442,352
Total revenues	98,867,043	99,032,199	101,222,603	2,190,404
<b>EXPENDITURES</b>				
Current:				
General Government	2,151,999	2,135,176	1,845,760	289,416
Home and Community Services	70,333,046	68,123,033	58,400,569	9,722,464
Employee Benefits	14,838,189	14,838,189	14,692,423	145,766
Debt Service:				
Principal	14,963,762	16,113,263	16,112,996	267
Interest	8,979,368	10,221,859	10,037,539	184,320
Capital outlay	1,715,842	1,715,842	741,567	974,275
Total expenditures	112,982,206	113,147,362	101,830,854	11,316,508
Deficiency of revenues over expenditures	(14,115,163)	(14,115,163)	(608,251)	13,506,912
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	10,650	10,650	11,650	1,000
Transfers Out	(311,575)	(311,575)	(311,575)	—
Total other financing uses	(300,925)	(300,925)	(299,925)	1,000
Net change in fund balance	(14,416,088)	(14,416,088)	(908,176)	13,507,912
Fund Balance -- Beginning of year	14,416,088	14,416,088	68,067,202	53,651,114
Fund Balance -- End of year	—	—	\$ 67,159,026	\$ 67,159,026

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

Westchester County  
Refuse Disposal District Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
Year Ended December 31, 2010

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes on Real Property	\$ 46,535,977	\$ 46,535,977	\$ 46,535,977	\$ —
State Aid	—	—	1,416,224	1,416,224
Departmental Income	20,226,417	20,226,417	19,199,859	(1,026,558)
Earnings on Investments	700,000	700,000	585,175	(114,825)
Miscellaneous Revenues	50,000	50,000	417,405	367,405
Total revenues	67,512,394	67,512,394	68,154,640	642,246
<b>EXPENDITURES</b>				
Current:				
General Government	6,011,721	6,030,512	4,783,820	1,246,692
Home and Community Services	73,300,931	73,283,240	52,823,330	20,459,910
Employee Benefits	1,285,051	1,283,951	1,243,622	40,329
Debt Service:				
Principal	2,459,097	2,459,097	2,122,901	336,196
Interest	964,197	964,197	884,013	80,184
Total expenditures	84,020,997	84,020,997	61,857,686	22,163,311
Excess (Deficiency) of revenues over expenditures	(16,508,603)	(16,508,603)	6,296,954	22,805,557
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	21,000	21,000	15,000	(6,000)
Transfers Out	(1,200,000)	(1,200,000)	(1,200,000)	—
Total other financing uses	(1,179,000)	(1,179,000)	(1,185,000)	(6,000)
Net change in fund balance	(17,687,603)	(17,687,603)	5,111,954	22,799,557
Fund Balance -- Beginning of year	17,687,603	17,687,603	55,107,859	37,420,256
Fund Balance -- End of year	\$ —	\$ —	\$ 60,219,813	\$ 60,219,813

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

# Exhibit B-1

## Westchester County Statement of Net Assets Proprietary Funds December 31, 2010

	Business Type Activities - Enterprise Fund	Governmental Activities - Internal Service Funds
	Westchester Tobacco Asset Securitization Corporation	
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 127,444	\$ 48,528,845
Investments	—	58,480,938
Accounts Receivable	13,376,131	4,680,196
Due from Other Funds	—	12,956,715
Deferred Charge	—	11,190,094
Total current assets	13,503,575	135,836,788
Non Current Assets:		
Assets Limited as to Use	14,134,841	—
Deferred Charge	3,132,584	—
Total noncurrent assets	17,267,425	—
Total Assets	30,771,000	135,836,788
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	893,936	24,001,648
Due to Westchester County	1,818,337	—
Due to Other Funds	—	7,499,983
Total current liabilities	2,712,273	31,501,631
Noncurrent Liabilities:		
Accrued Liabilities	—	97,098,809
Bonds Payable	164,225,874	—
Total Liabilities	166,938,147	128,600,440
<b>NET ASSETS (DEFICITS)</b>		
Unrestricted	(136,167,147)	7,236,348
Net Assets (Deficits)	\$ (136,167,147)	\$ 7,236,348

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

**Exhibit B-2**

**Westchester County**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Proprietary Funds**  
**Year Ended December 31, 2010**

	<b>Business Type Activities - Enterprise Fund Westchester Tobacco Asset Securitization Corporation</b>	<b>Governmental Activities - Internal Service Funds</b>
Operating Revenues:		
Charges for Services	\$ —	\$ 210,322,855
Tobacco Settlement Revenues	13,253,785	—
	<u>13,253,785</u>	<u>210,322,855</u>
Total Operating Revenues	<u>13,253,785</u>	<u>210,322,855</u>
Operating Expenses:		
Professional Fees	75,439	—
Insurance Expense	46,131	—
Claims and Claim Adjustments	—	18,141,142
Employee Benefits	—	181,578,070
Amortization	91,019	—
	<u>212,589</u>	<u>199,719,212</u>
Total operating expenses	<u>212,589</u>	<u>199,719,212</u>
Operating Income	<u>13,041,196</u>	<u>10,603,643</u>
Nonoperating Revenues (Expenses):		
Earnings on Investments	579,129	3,428,325
Interest Expense	(11,300,702)	—
Net Increase in Fair Value of Investments	—	1,394,026
	<u>(10,721,573)</u>	<u>4,822,351</u>
Total nonoperating revenues (expenses)	<u>(10,721,573)</u>	<u>4,822,351</u>
Income Before Transfers	2,319,623	15,425,994
Transfers Out	(1,818,337)	—
Change in net assets	501,286	15,425,994
Net assets (deficits) -- beginning	(136,668,433)	(8,189,646)
Net assets (deficits) -- ending	<u>\$ (136,167,147)</u>	<u>\$ 7,236,348</u>

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

Westchester County  
Statement of Cash Flows  
Proprietary Funds  
Year Ended December 31, 2010

	Business Type Activities - Enterprise Fund Westchester Tobacco Asset Securitization Corporation	Governmental Activities - Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	\$ —	\$ 209,546,670
Cash received from tobacco settlement revenues	13,979,574	—
Payments to suppliers	(96,570)	(206,440,842)
	<u>13,883,004</u>	<u>3,105,828</u>
Net cash provided by operating activities		
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Repayment of Bonds Payable	(2,275,000)	—
Interest paid	(10,238,413)	—
Transfer to County of Westchester	(1,918,858)	—
Advances from other funds	—	29,648
Payments to other funds	—	(10,399,421)
	<u>(14,432,271)</u>	<u>(10,369,773)</u>
Net cash used in noncapital financing activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Earnings on investments	579,129	3,444,774
Increase in assets limited as to use	(1,216)	—
Sale of Investments	—	6,974,026
	<u>577,913</u>	<u>10,418,800</u>
Net cash provided by investing activities		
Net increase in cash	28,646	3,154,855
Cash - beginning of year	98,798	45,373,990
Cash - end of the year	<u>\$ 127,444</u>	<u>\$ 48,528,845</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 13,041,196	\$ 10,603,643
Adjustments to reconcile operating income to net cash provided by operating activities:		
Amortization	91,019	—
Changes in assets and liabilities:		
Accounts Receivable	725,789	(3,256,123)
Deferred Charge	—	(2,560,789)
Accounts Payable and Accrued Liabilities	25,000	(1,680,903)
	<u>\$ 13,883,004</u>	<u>\$ 3,105,828</u>
Net cash provided by operating activities		
<b>Noncash Noncapital Activities:</b>		
Increase in bonds payable from amortization of original issue discount	\$ 118,939	\$ —
Increase in bonds payable from amortization of loss on refunding	951,882	—
<b>Noncash Investing Activities-</b>		
Increase in fair value of investments	—	1,394,026

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



Westchester County  
Statement of Fiduciary Assets and Liabilities  
December 31, 2010

	Agency
<b>ASSETS</b>	
Cash	\$ 82,371,462
Accounts Receivable	12,948,103
Restricted Investments	20,545,783
Due from Other Funds	133,190
Total Assets	<u>\$ 115,998,538</u>
<b>LIABILITIES</b>	
Accounts Payable	\$ 24,736,043
Securities and Deposits Payable	91,262,495
Total Liabilities	<u>\$ 115,998,538</u>

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

Westchester County Component Units Combining Statement of Net Assets December 31, 2010					
	Westchester County Health Care Corporation	Westchester Community College	Public Utilities Service Agency	Industrial Development Agency	Totals
<b>ASSETS</b>					
<b>Current assets</b>					
Cash	\$ 167,794,537	\$ 57,585,927	\$ 1,642,555	\$ 7,079,028	\$ 234,102,047
Investments	580,921	—	—	—	580,921
Account Receivable, Net	104,226,191	13,634,473	1,660,245	3,389,859	122,910,768
Assets Limited as to Use	39,057,182	—	—	—	39,057,182
Other Assets	23,635,676	—	—	7,029	23,642,705
Total current assets	335,294,507	71,220,400	3,302,800	10,475,916	420,293,623
<b>Non current assets</b>					
Assets Limited as to Use	111,953,244	—	—	—	111,953,244
Land and Improvements	8,439,218	—	—	1,100,000	9,539,218
Buildings	386,490,983	—	—	—	386,490,983
Equipment	333,446,815	19,023,478	—	—	352,470,293
Construction in Progress	11,956,532	—	—	—	11,956,532
Accumulated Depreciation	(438,224,147)	(17,742,366)	—	—	(455,966,513)
Other Assets	18,600,453	—	—	—	18,600,453
Total non current assets	432,663,098	1,281,112	—	1,100,000	435,044,210
Total assets	767,957,605	72,501,512	3,302,800	11,575,916	855,337,833
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Accounts Payable & Accrued Expenses	189,481,879	56,415,017	1,582,278	55,829	247,535,003
Due to Other Governments	—	—	—	5,758,150	5,758,150
Total current liabilities	189,481,879	56,415,017	1,582,278	5,813,979	253,293,153
<b>Non current liabilities</b>					
Due Within One Year:					
Compensated Absences	—	869,691	—	—	869,691
Bonds Payable	10,301,861	—	—	—	10,301,861
Due in More Than One Year:					
Compensated Absences	—	8,205,312	—	—	8,205,312
Bonds Payable	393,159,583	—	—	—	393,159,583
Estimated Self-Insurance Liability	93,072,630	—	—	—	93,072,630
Estimated Post Retirement Health Insurance Liability	46,378,036	12,785,491	—	—	59,163,527
Estimated Liability to Third-Party Payors	46,082,882	—	—	—	46,082,882
Total non current liabilities	588,994,992	21,860,494	—	—	610,855,486
Total liabilities	778,476,871	78,275,511	1,582,278	5,813,979	864,148,639
<b>NET ASSETS (DEFICIT)</b>					
Invested in Capital Assets Net of Related Debt	26,436,999	1,281,112	—	1,100,000	28,818,111
Restricted	5,753,905	300,728	—	—	6,054,633
Unrestricted	(42,710,170)	(7,355,839)	1,720,522	4,661,937	(43,683,550)
Total net assets (deficit)	\$ (10,519,266)	\$ (5,773,999)	\$ 1,720,522	\$ 5,761,937	\$ (8,810,806)

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

# Exhibit D-2

## Westchester County Component Units

### Combining Statement of Activities Year Ended December 31, 2010

	Westchester County Health Care Corporation	Westchester Community College	Public Utilities Service Agency	Industrial Development Agency	Totals
<b>Expenses:</b>					
Program operations	\$ 833,311,913	\$ 130,219,381	\$ 4,174,043	\$ 1,446,456	\$ 969,151,793
Interest on long-term debt	12,392,366	—	—	—	12,392,366
Depreciation and amortization	39,919,753	—	—	—	39,919,753
Total expenses	885,624,032	130,219,381	4,174,043	1,446,456	1,021,463,912
<b>Program revenues:</b>					
Charges for services	888,874,220	35,888,808	4,305,299	1,143,462	930,211,789
Operating grants and contributions	—	79,865,145	—	—	79,865,145
Capital grants and contributions	—	3,973,186	—	—	3,973,186
Total program revenues	888,874,220	119,727,139	4,305,299	1,143,462	1,014,050,120
Net program revenues (expenses)	3,250,188	(10,492,242)	131,256	(302,994)	(7,413,792)
<b>General revenues-</b>					
Interest on investments	3,165,507	—	1,723	7,195	3,174,425
Change in net assets	6,415,695	(10,492,242)	132,979	(295,799)	(4,239,367)
Net assets (deficits) - beginning, as restated	(16,934,961)	4,718,243	1,587,543	6,057,736	(4,571,439)
Net assets (deficits) - ending	\$ (10,519,266)	\$ (5,773,999)	\$ 1,720,522	\$ 5,761,937	\$ (8,810,806)

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

# NOTES TO FINANCIAL STATEMENTS

December 31, 2010

## NOTE 1

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### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

#### A. Financial Reporting Entity

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

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 by GASB, 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 following are discretely presented component units because they do not provide services entirely or almost entirely to the County:

The Westchester County Community College (hereinafter referred to as the College) was established in 1953, with the County of Westchester as the local sponsor under provisions of Article 126 of the Education Law. The College is administered by a board of trustees consisting of nine voting members; five are appointed by the Board of Legislators and four by the Governor. The College budget is subject to the approval of the Board of Legislators. The County provides one-half of the capital costs and approximately one-fifth 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.

The Westchester County Industrial Development Agency (hereinafter referred to as the IDA) is a public benefit corporation created by State legislation to promote the economic welfare, recreation opportunities and prosperity of

the County's inhabitants. Members of the IDA are appointed by the County Executive, subject to confirmation by the Board of Legislators. The IDA members have complete responsibility for management of the IDA and accountability for fiscal matters. The County is not liable for IDA bonds or notes. The governing board of the IDA serves at the pleasure of the County Executive and therefore, the primary government is able to impose its will on the IDA.

The County of Westchester Public Utility Service Agency (hereinafter referred to as the Utility Agency) was created by special referendum by the County of Westchester on March 30, 1982. The members of the board are appointed by the County Executive with confirmation by the Board of Legislators. The Board of Legislators is responsible for approval of the permanent rate formula for customers of the Utility Agency. The governing board of the Utility Agency serves at the pleasure of the County Executive and therefore, the primary government is considered able to impose its will on the Utility Agency.

Westchester County Health Care Corporation (hereinafter referred to as WCHCC), a Public Benefit Corporation, was created under Article 10-C, Title 1, of the New York State Authorities Law. WCHCC is governed by fifteen voting directors, of which eight directors are appointed by the governor and seven directors are appointed by the Board of Legislators, subject to approval by the County Executive. On December 15, 2008, the County entered into a ten year Cooperation Agreement retroactive to January 1, 2008 and ends on December 31, 2017. (See "Contingencies—WCHCC" herein.)

The Board of Directors have complete responsibility for management of the Corporation and accountability for fiscal matters. The County is not liable for any deficits or Corporation bonds or notes.

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

Westchester Community College  
75 Grasslands Road  
Valhalla, New York 10595

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

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

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

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

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

The Statement of Net Assets presents the financial position of the County and its component units at the end of its fiscal year. The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods or services, or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and (3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenues are reported as general revenues. The County does not allocate indirect expenses to functions in the Statement of Activities.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even

though the latter are excluded from the government-wide financial statements. Major individual government funds are reported as separate columns in the fund financial statements.

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

### **C. Fund Financial Statements**

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

#### **Fund Categories**

- a. Governmental Funds**—Governmental Funds are those through which most general government functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. Special Revenue Funds are governmental funds established to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain defined purposes. The following are the County's major governmental funds:

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

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

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

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

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

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

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

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

- b. Proprietary Funds** — Proprietary funds consist of the blended component unit and 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, Worker’s Compensation Reserve and New York State Retirement Reserve funds as internal service funds. The Westchester Tobacco Asset Securitization Corporation (“WTASC”) applies all applicable Financial Accounting Standards Board (FASB) guidance issued after November 30, 1989 in accounting and reporting for its operations.

WTASC is a special purpose corporation and a subsidiary corporation of the Westchester County Health Care Corporation (“WCHCC”). WTASC was organized under the New York State Not-for-Profit Corporation Law and pursuant to the Public Authorities Law of the State of New York. The Board of Directors of WTASC consists of three members; one director designated by WCHCC to be the Commissioner of Finance of the County of Westchester, New York (“County”), one director designated by WCHCC to be the WCHCC board representative, selected by the Majority Leader of the County Board of Legislators and a third director who meets certain requirements of independence and shall be designated by the other two members.

- c. Fiduciary Funds (Not included in Government-wide statements)** — The Fiduciary Funds are used to account for assets held by the County in an agency capacity on behalf of others. The Agency Fund is used to account for various deposits that are payable to other jurisdictions or individuals.

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

##### **Primary Government**

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

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

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

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

## **Component Units**

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

### *Westchester Community College*

The College does not reflect land and buildings as an asset of the fund and depreciation is not reflected. These assets are owned by the County, and the debt related to these assets are obligations of the County. The College does have equipment which was purchased through their operating budget, which is capitalized and depreciated.

### *Westchester County Health Care Corporation*

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

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

WCHCC has payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to WCHCC under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

There are various proposals at the Federal and State levels that could, among other things, reduce payment rates and increase managed care penetration, including Medicaid. The ultimate outcome of these proposals and other market changes cannot presently be determined. WCHCC's cost reports have been audited and finalized by the Medicare fiscal intermediary through December 31, 2003.

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

***Cash and Equivalents*** — Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and certificates of deposit with maturities at the time of purchase of three months or less.

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

In accordance with the provisions of general Municipal Law Section 10, all deposits of the County, including certificates of deposit and special time deposits in excess of the amount insured under the provision of the Federal Deposit Insurance Act will be secured at 102%. The County has entered into custodial agreements with the various banks which hold its deposits. These agreements authorize the obligations that may be pledged as collateral. Such obligations include, among other instruments, obligations issued or fully insured or guaranteed by the United States, an agency thereof or a United States government sponsored corporation and obligations issued or fully guaranteed by the State of New York.

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



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

### ***Other Receivables***

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

### ***Due From/To Other Funds***

During the course of its operations, the County has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of December 31, 2010, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

### ***Assets Limited as to Use***

#### ***Westchester Tobacco Asset Securitization Corporation***

On June 15<sup>th</sup>, 2005, WTASC issued \$216,600,000 Tobacco Settlement Asset-Backed Bonds, Series 2005. These bonds were issued primarily to refund all of WTASC's outstanding Tobacco Settlement Asset-Backed Bonds, Series 1999, which were issued by WTASC to finance its purchase pursuant to a purchase and sale agreement, dated as of December 1, 1999, by and between WTASC and the County of Westchester. The terms of the bond indenture provide for the establishment of a liquidity reserve. The series 2005 bonds reserve requirement is \$14,133,625 and the maximum annual debt service based on planned structured principal payments.

#### ***Westchester County Health Care Corporation***

Assets restricted as to use include the assets of WCHCC Bermuda, the assets of the WMC Foundation and the Children's Hospital Foundation, the proceeds of indebtedness held by the trustees under debt agreements, assets restricted for the purchase of capital assets, and assets restricted by donors.

Donor-restricted assets represent contributions to provide health care services and for capital acquisitions. Resources restricted by donors for plant replacement and expansion are added to the invested in capital assets, net of related debt, net assets (deficit) balance to the extent expended within the period. Resources restricted by donors or grantors for specific operating activities are reported as other revenue to the extent used within the period. WCHCC generally utilizes donor-restricted resources for expenses incurred before utilizing available unrestricted assets.

### ***Inventories***

Purchases of inventorable items are recorded as expenditures at the time of purchase and year-end balances are not material.

### ***Deferred Charges***

The deferred charge in the government-wide financial statements represents the prepaid cost relating to the New York State Retirement Reserve Internal Service Fund.

### **Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$50,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), as allowed by GASB, the County chose to include all such items regardless of their acquisition date or amount. The County was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and used an appropriate price level index to deflate the cost to the acquisition year or estimated acquisition year.)

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

Land and Construction in Progress are not depreciated. Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives.

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

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

### **Compensated Absences**

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

### **Long-term Liabilities**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred

and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are amortized over the term of the related debt.

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

## **Net Assets**

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets in the Statement of Net Assets include, invested in capital assets, net of related debt, restricted for E911 and related special revenue funds, casualty claims, retirement, debt service, and component units.

## **Fund Balances — Reserves and Designations**

Portions of fund balance are segregated for future use and are, therefore, not available for future appropriation or expenditure. Amounts reserved for encumbrances, E911 and related, state receivables and debt service are required to be segregated in accordance with State law or generally accepted accounting principles. Designation of unreserved fund balances in governmental funds indicates the utilization of these resources in the ensuing year's budget or tentative plans for future use.

## **F. Encumbrances**

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

## **G. Use of Estimates**

### *Primary Government*

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

### *Component Unit—WCHCC*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. WCHCC's significant estimates include the allowance for estimated uncollectible patient accounts receivable, estimated third-party contractual allowances, estimated third-party payor receivables and payables, self insurance liabilities, workers' compensation liabilities and post retirement health insurance liabilities. Actual results may differ from those estimates. Revisions to previously recorded estimates resulted in an increase in operating income of \$35.5 million and \$9.0 million in 2010 and 2009, respectively.

## **H. Concentration of Credit Risk—WCHCC**

WCHCC grants credit without collateral to its patients, most of whom are local residents and are insured under third-party-payor agreements. WCHCC generally does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of patients' benefits under their health insurance policies.

## **I. Subsequent Events Evaluation by Management**

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is June 20, 2011.

## **NOTE 2**

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### **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

#### **A. Budgetary Data**

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

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

- a) Budget formulation commences in August of each year with the submission of expenditure requirements for the next fiscal year by the administrative head of each department in the County.
- b) The departmental estimates are reviewed and modified by the Department of Budget and the County Executive. The County Executive's proposed budget is published and is then presented to the Board of Legislators by November 15th.
- c) Subsequent to November 15th, the Board's Committee on Budget and Appropriations holds various public hearings and makes recommendations to amend the budget. The budget is adopted no later than December 27th.
- d) Formal budgetary integration is employed during the year as a management control device for General, Sewer, Airport, Water and Refuse funds.
- e) Budgets for General, Sewer, Airport, Water and Refuse funds are legally adopted annually on a basis consistent with generally accepted accounting principles. The Capital Projects Fund is budgeted on a project basis. Annual budgets are not adopted for Internal Service or Grants funds.
- f) Legal budgetary control is maintained at the departmental level. Transfers between appropriation accounts, at the department level, require approval by the Board of Legislators. Any modification to appropriations resulting from increases in revenue estimates or appropriations also requires a majority vote by the Board.
- g) Appropriations in General, Sewer, Airport, Water and Refuse funds lapse at the end of the fiscal year, except that outstanding encumbrances are reappropriated in the succeeding year, pursuant to the Uniform System of Accounts promulgated by the Office of the State Comptroller.

Budgeted amounts are as originally adopted or as amended by the Board of Legislators. The General Fund Appropriation Budget was increased \$58,424,123 for Operating Assistance to WCHCC, and was recorded in the Social Services Relief expenditure line of the Economic Assistance and Opportunity function.

## B. Property Tax Limitation

The amount that may be raised by the County-wide tax levy on real estate in any fiscal year for purposes other than for debt service on County indebtedness is limited to one and one-half 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. In accordance with this definition, the maximum which could have been raised in 2010 was \$2,706,518,527, which exceeded the actual levy by \$2,253,482,224.

## C. Restatement of Prior Years Financial Statements

In 2010, the College's previously issued financial statements have been restated by \$6,129,801 which consisted of capital contributions from the Foundation of \$5,587,478 and other adjustments to capital appropriations of \$542,323 that were not properly included as revenue in the prior year's financial statements. The effect of this restatement is an increase in the net assets beginning of year balance by \$6,129,801.

## D. Fund Deficits

The Capital Projects Fund has an unreserved deficit of \$126,313,910 at December 31, 2010. This deficit will be eliminated with the subsequent receipt of authorized funding.

The Worker's Compensation Reserve Fund and the WTASC have unrestricted deficits of \$35,205,694 and \$136,167,147 respectively at December 31, 2010. These deficits will be addressed in subsequent years.

## NOTE 3

### DETAILED NOTES ON ALL FUNDS

#### A. Investments

Details of the County's investment portfolio by fund/component unit, as of December 31, 2010 were:

<u>Fund</u>	<u>Corporate Securities</u>	<u>U.S. Treasury Obligations</u>	<u>Certificates of Deposit</u>	<u>Fair Value</u>
Capital Projects Fund	\$ —	\$ 113,170,045	\$ —	\$ 113,170,045
Internal Service Funds	—	58,480,938	—	58,480,938
	—	171,650,983	—	171,650,983
 Fiduciary Fund—Restricted	 3,073,659	 16,253,023	 1,219,101	 20,545,783
Total	\$ 3,073,659	\$ 187,904,006	\$ 1,219,101	\$ 192,196,766
 <u>Component Unit</u>				
WCHCC	\$ —	\$ —	\$ 580,921	\$ 580,921

The Fiduciary investments of the primary government of \$20,545,783 consist of investments in U.S. Treasury obligations and commercial stocks and bonds. Of the total restricted investments, \$16,253,023 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 \$4,292,760 is restricted to operate the Patterson Estate Property.

The certificates of deposit are fixed rate investments that have maturities greater than three months and are secured by FDIC coverage and collateral posted by the respective depository.

The fair values of the Corporate Securities fluctuate in response to changes in market rates. Since these investments constitute one percent of the County's overall investments, the risk to the County is not significant.

## B. Assets Limited As To Use

The terms of the bond indenture provide for the establishment of a liquidity reserve. The reserve was initially funded from the proceeds of the issuance of the Series 2005 bonds in an amount equal to \$14,133,625, the maximum annual debt service requirement based on planned structured principal payments. The cash and equivalents below are restricted to the payment of debt service obligations on the WTASC bonds.

WTASC assets limited as to use at December 31, 2010 consisted of the following:

Security Benefit Life Insurance Company Fixed Annuity due April, 2045; Interest at 4.1%	\$ 14,133,625
Cash	1,216
	<u>\$ 14,134,841</u>

WCHCC assets limited as to use at December 31, 2010 consisted of the following:

Restricted:	
The Westchester Medical Center Foundation, Inc.	\$ 1,443,998
The Children's Hospital Foundation at WMC, Inc.	5,746,981
	<u>7,190,979</u>
Under Debt Agreements (Restricted):	51,227,757
Debt Service Reserve Funds	
Self-insurance fund (offshore insurance captive):	92,591,690
	<u>151,010,426</u>
Less portion required for current liabilities:	(39,057,182)
	<u>\$ 111,953,244</u>

The Corporation's investments generally are reported at fair value. At December 31, 2010, the composition of assets restricted as to use consisted of the following:

Cash and cash equivalents	\$ 14,126,584
United States government securities	91,327,647
Corporate bonds	45,730,166
Other	(173,971)
	<u>\$ 151,010,426</u>

“Other” primarily consists of accrued interest receivable and pledges receivable. WCHCC’s assets restricted as to use reported under debt agreements represent insured or registered funds, or securities held by WCHCC or its agent in WCHCC’s name.

### C. Due From/To Other Funds

The balances reflected as due from/to other funds at December 31, 2010 were as follows:

	Due From	Due To
General Fund	\$ 61,562,197	\$ 38,539,052
Sewer Districts Fund	10,742,754	—
Refuse Disposal District Fund	6,446,004	—
Capital Projects Fund	—	54,062,413
Non Major Government Funds	8,260,588	—
Health Insurance Fund	12,956,715	—
Casualty Reserve Fund	—	877,764
Workers' Compensation Reserve Fund	—	508,469
New York State Retirement Reserve Fund	—	6,113,750
Agency Fund	133,190	—
	<u>\$ 100,101,448</u>	<u>\$ 100,101,448</u>

The outstanding balances between funds result mainly from the time lag between the dates that; 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system and 3) payments between funds are made.

## D. Capital Assets

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

Class	Balance January 1, 2010	Additions (Transfers)	Deletions	Balance December 31, 2010
<b>Governmental Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$ 266,402,712	\$ 9,652,600	\$ —	\$ 276,055,312
Construction-in-progress	274,428,266	102,254,696	43,397,574	333,285,388
Total Capital Assets, not being depreciated	<u>\$ 540,830,978</u>	<u>\$ 111,907,296</u>	<u>\$ 43,397,574</u>	<u>\$ 609,340,700</u>
Capital Assets, being depreciated:				
Buildings	745,595,172	68,734,708	—	814,329,880
Equipment	391,962,659	15,891,378	—	407,854,037
Infrastructure	1,474,817,750	27,780,549	—	1,502,598,299
Total Capital Assets, being depreciated	<u>2,612,375,581</u>	<u>112,406,635</u>	<u>—</u>	<u>2,724,782,216</u>
Less Accumulated Depreciation for:				
Buildings	212,299,899	21,148,264	—	233,448,163
Equipment	168,884,748	27,185,913	—	196,070,661
Infrastructure	438,807,799	29,045,070	—	467,852,869
Total Accumulated Depreciation	<u>819,992,446</u>	<u>77,379,247</u>	<u>—</u>	<u>897,371,693</u>
Total Capital Assets, being depreciated, net	<u>\$ 1,792,383,135</u>	<u>\$ 35,027,388</u>	<u>—</u>	<u>\$ 1,827,410,523</u>
Governmental Activities Capital Assets, net	<u>\$ 2,333,214,113</u>	<u>\$ 146,934,684</u>	<u>\$ 43,397,574</u>	<u>\$ 2,436,751,223</u>

Depreciation expense was charged to the Primary Government's functions and programs as follows for the year ended December 31, 2010:

Governmental Activities:	
General Government	\$ 10,044,881
Education	5,119,828
Public Safety	12,841,043
Health Services	1,453,662
Transportation	21,864,273
Economic Assistance	896,824
Culture and Recreation	4,927,875
Home and Community Services	20,230,861
Total Depreciation Expense—Governmental Activities	<u>\$ 77,379,247</u>



## E. Capital Assets — Component Units

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

<b>Class</b>	<b>Balance January 1, 2010</b>	<b>Additions (Transfers)</b>	<b>Deletions</b>	<b>Balance December 31, 2010</b>
Capital Assets, not being depreciated:				
Construction-in-progress	\$ 5,753,682	\$ 6,202,850	\$ —	\$ 11,956,532
Capital Assets, being depreciated:				
Land Improvements	8,238,652	200,566	—	8,439,218
Buildings	369,611,422	16,879,561	—	386,490,983
Equipment	300,318,406	33,128,409	—	333,446,815
Total Capital Assets, being depreciated	678,168,480	50,208,536	—	728,377,016
Less Accumulated Depreciation and adjustments for:				
Land Improvements	6,517,188	223,718	—	6,740,906
Buildings	174,336,278	14,628,879	—	188,965,157
Equipment	217,777,043	24,741,041	—	242,518,084
	398,630,509	39,593,638	—	438,224,147
Capital Assets, being depreciated, net	\$ 279,537,971	\$ 10,614,898	\$ —	\$ 290,152,869
Capital Assets, net	\$ 285,291,653	\$ 16,817,748	\$ —	\$ 302,109,401

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

<b>Class</b>	<b>Balance September 1, 2009</b>	<b>Additions</b>	<b>Balance August 31, 2010</b>
Capital Assets, being depreciated:			
Equipment	\$ 18,176,552	\$ 846,926	\$ 19,023,478
Total Accumulated Depreciation	17,257,437	484,929	17,742,366
Community College Capital Assets, net	\$ 919,115	\$ 361,997	\$ 1,281,112

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

## F. Accounts Payable and Accrued Expenses

Accounts Payable and Accrued Expenses at December 31, 2010 were as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Component Units</b>
Payroll and employee benefits	\$ 26,795,417	\$ —	\$ 66,831,033
Unpaid Claims	233,959,038	45,000	106,000,929
Accrued Casualty Reserve	60,839,386	—	20,775,000
Accrued Workers' Compensation	47,048,180	—	8,435,000
Current Portion of Estimated Liability to Third-party Payors	—	—	12,328,614
Other	26,376	848,936	33,164,427
Total Accounts Payable and Accrued Expenses	<u>\$ 368,668,397</u>	<u>\$ 893,936</u>	<u>\$ 247,535,003</u>

## G. Unpaid Claim Liabilities

The Internal Service Funds reflect health benefit liabilities, workers' compensation benefit liabilities and general liability claims. The Health Insurance Fund estimates are accrued based on actuarial computations. The Insurance Reserve and Workers' Compensation Reserve funds establish claim liabilities based upon estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported, but not settled, and of claims that have been incurred but not reported (IBNR's). The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claim liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency and other economic and social factors. A provision for inflation in the calculation of estimated future claim costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and other factors that are considered to be appropriate modifiers of past experience. In the past, the County had accrued pre-1998 open claims, which had been transferred to Westchester County Health Care Corporation as part of the transfer of the County's Department of Hospitals to the Corporation.

Claim liabilities, at December 31, 2010 are reported at their present value using an expected future investment rate of return of 5% for the Insurance Reserve Fund and 4% for the Workers' Compensation Reserve Fund. Adjustments to claim liabilities are charged or credited to expense in the periods in which they are made. An analysis of the activity of unpaid claim liabilities is as follows:

<b><u>Fiscal 2010</u></b>	<b>Health Insurance</b>	<b>County Reserve</b>	<b>Workers' Compensation</b>
Unpaid claims - Beginning of Year	\$ 17,117,829	\$ 68,682,609	\$ 36,980,920
Incurred claims including IBNR's	134,925,989	(571,611)	18,712,754
Claims paid	(138,830,927)	(7,271,612)	(8,645,494)
Unpaid claims - End of Year	<u>\$ 13,212,891</u>	<u>\$ 60,839,386</u>	<u>\$ 47,048,180</u>

<b><u>Fiscal 2009</u></b>	<b>Health Insurance</b>	<b>County Reserve</b>	<b>Workers' Compensation</b>
Unpaid claims - Beginning of Year	\$ 13,734,295	\$ 81,858,239	\$ 16,168,598
Incurred claims including IBNR's	139,495,359	(2,775,826)	28,364,956
Claims paid	(136,111,825)	(10,399,804)	(7,552,634)
Unpaid claims - End of Year	<u>\$ 17,117,829</u>	<u>\$ 68,682,609</u>	<u>\$ 36,980,920</u>

The above amounts are included within accounts payable and accrued liabilities in the Statement of Net Assets.

### Self Insurance Liability—WCHCC

The following is the activity of the self-insurance liability for the years ended December 31, 2010 and 2009:

	<b>January 1, 2010 Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>December 31, 2010 Balance</b>	<b>Amounts Due Within One Year</b>
Workers' compensation self-insurance (a)	\$ 17,496,000	\$ 7,537,286	\$ (5,919,076)	\$ 19,114,210	\$ 4,500,000
Malpractice self-insurance (1998-2008) (b)	96,229,101	22,031,426	(24,132,107)	94,128,420	16,000,000
Other self-insurance (c)	193,000	555,000	(143,000)	605,000	275,000
	<u>\$ 113,918,101</u>	<u>\$ 30,123,712</u>	<u>\$ (30,194,183)</u>	<u>\$ 113,847,630</u>	<u>\$ 20,775,000</u>

	<b>January 1, 2009 Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>December 31, 2009 Balance</b>	<b>Amounts Due Within One Year</b>
Workers' compensation self-insurance (a)	\$ 17,943,574	\$ 3,964,267	\$ (4,411,841)	\$ 17,496,000	\$ 4,500,000
Malpractice self-insurance (1998-2007) (b)	91,190,766	21,728,885	(16,690,550)	96,229,101	16,000,000
Other self-insurance (c)	475,000	98,000	(380,000)	193,000	-
	<u>\$ 109,609,340</u>	<u>\$ 25,791,152</u>	<u>\$ (21,482,391)</u>	<u>\$ 113,918,101</u>	<u>\$ 20,500,000</u>

- (a) Pursuant to Article 11 of the Transition Agreement between the County and WCHCC, the County transferred a portion of the assets in the County's 6-j Self-Insurance Reserve Fund (renamed the Workers' Compensation Reserve Trust by WCHCC) to WCHCC and WCHCC contracted to indemnify the County for the corresponding workers' compensation liability claims arising out of incidents involving hospital operations that occurred prior to January 1, 1998, when WCHCC became a public benefit corporation.

WCHCC's workers' compensation liability consists of a self-insurance fund and coverage from a commercial insurance carrier under a claims-made basis. During the period June 1, 1999 through June 1, 2002, excess insurance coverage was purchased that attached at \$250,000 per occurrence with \$5,000,000 in annual aggregate coverage. For the period June 1, 2002 through June 1, 2003, excess insurance coverage was purchased that attached at \$300,000 per occurrence with \$5,000,000 in annual aggregate coverage. Prior to June 1, 1999 and from June 1, 2003 to June 30, 2008, WCHCC did not purchase excess insurance. Effective July 1, 2008, excess insurance coverage was purchased that attached at \$750,000 per occurrence with \$1,000,000 in annual aggregate coverage. As part of WCHCC's workers' compensation self-insurance plan, WCHCC obtains a biennial actuarial valuation to determine its self-insurance liabilities, including amounts for claims incurred but not reported. Such valuation is based on WCHCC's specific and industry-wide data.

The following represents information as it relates to the workers' compensation self-insurance plan as of December 31:

	<u>2010</u>	<u>2009</u>
Gross self-insurance liability	\$ 20,481,000	\$ 18,295,000
Present value of self-insurance liability	19,114,210	17,496,000
Discount factor	3.5%	3.5%

- (b) Effective January 1, 1998, WCHCC commenced operations of WCHCC Bermuda, a captive insurance company. WCHCC Bermuda has provided the hospital professional liability insurance (HPL) and general liability insurance (GL) for WCHCC since January 1, 1998 and has reinsured the physicians and surgeons professional liability (PPL), provided through a New York State admitted carrier, for the period from January 1, 1998 through December 31, 2004. As of January 1, 2005, WCHCC Bermuda insures WCHCC for HPL and PPL directly on a claims-made basis and GL on an occurrence basis.

WCHCC Bermuda has provided HPL coverage on a claims-made basis and GL coverage on an occurrence basis for the Medical Center and Taylor Care Center for claims incurred subsequent to December 31, 1997. As of January 1, 2006, the HPL coverage has been provided for on an occurrence-made basis. These policies are written directly by WCHCC Bermuda on an annual basis, with HPL coverage ranging from \$1 million per occurrence and \$3 million aggregate in 1998 to \$5 million for each and every claim from 2003 and 2010 with no aggregate limit. As of January 1, 2010, coverage has increased to \$7 million per occurrence with no aggregate limit. WCHCC Bermuda has provided GL coverage with a combined single limit of \$1 million per claim from January 1, 1998 through January 1, 2010. As of January 1, 2010, GL has a combined single limit of \$1 million per claim with an annual aggregate of \$2 million.

PPL has been provided by a New York State admitted carrier, National Union Fire Insurance Company, Inc., an affiliate of American International Group, Inc. (AIG), since January 1, 1998 for all participating physicians with privileges at the Medical Center. Beginning in 1998 the PPL insurance provided each physician coverage of \$1 million per claim and \$3 million in the aggregate which subsequently increased to \$1.3 million per claim and \$3.9 million in the aggregate in 2002. WCHCC Bermuda reinsured through National Union Fire Insurance Company, Inc. on a claims-made basis with respect to PPL through January 1, 2005. WCHCC also has excess liability insurance with a \$25 million per year limit from January 1, 2006 through January 1, 2010. WCHCC has excess liability insurance with a \$28 million per limit as of January 1, 2010. The excess liability insurance policy attaches above the HPL

and GL for the Medical Center and Taylor Care Center and above the first layer of excess for each physician.

Outstanding projected liabilities are composed of estimates of the ultimate case value (indemnity and expenses) established by an independent case adjuster (reserves), plus a provision for losses incurred, but not reported, based on the recommendations of an independent actuary using historical and industry data. WCHCC Bermuda's actuarial liabilities have been discounted at 4% at December 31, 2010 and 2009.

In the normal course of operations WCHCC Bermuda's bankers have issued a letter of credit in the amount of \$11,697,500 as of December 31, 2010 and 2009 in favor of a ceding insurance company, as security for WCHCC Bermuda's reinsurance obligations. At December 31, 2010 and 2009 an additional letter of credit for the amount of \$2,380,000 was issued to provide surety on a large claim.

WCHCC Bermuda is required by its license to maintain capital and surplus greater than a minimum statutory amount determined as the greater of a percentage of outstanding losses or a given fraction of net written premiums. At December 31, 2010 and 2009, WCHCC Bermuda is required to maintain a minimum statutory capital and surplus of \$8,000,000 and \$8,150,000, respectively. As of December 31, 2010 and 2009, actual statutory capital and surplus was \$14,174,000 and \$18,342,746, respectively.

The malpractice self-insurance liabilities for the period 1998 to 2010 include an actuarially determined liability recorded by WCHCC Bermuda on a claims-made basis and an actuarially determined liability accrued by the Medical Center for claims incurred but not reported. Such valuations are based on WCHCC's specific and industry-wide data and have been discounted at 4% at December 31, 2010 and 2009, respectively.

Effective January 1, 2008, approximately 300 private attending physicians, many of whom had previously been provided malpractice insurance coverage through WCHCC Bermuda, obtained coverage with a commercial insurance company – Academic Health. WCHCC Bermuda will continue to provide insurance coverage for WCHCC and certain of its employed physicians. In addition, an excess insurance policy was purchased. As of January 1, 2010, excess insurance will no longer attach above the first layer of excess of those physicians insured by Academic Health.

Beginning in 2010, HPL coverage is provided on an occurrence basis with coverage of \$7 million for each and every claim with no aggregate limit for the Medical Center and its employed physicians. The excess liability insurance policy attaches above the HPL and GL for the Medical Center and above each employed physician.

- (c) Professional and general liability claims have been asserted against WCHCC by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial. The outcome of these actions cannot be predicted with certainty by management or by legal counsel to WCHCC or by the respective insurance companies handling such matters. There are known incidents that may result in the assertion of additional claims, and such other claims may arise. It is the opinion of management, in consultation with WCHCC's legal counsel, that the final disposition of such claims will not have a material adverse effect on WCHCC's financial position, results of operations, or liquidity.

## **H. Short-Term Capital Financing**

### ***Bond Anticipation Notes Payable***

The following table summarizes the changes in the County's short-term capital financing for the year ended December 31, 2010. The Bond Anticipation Notes (BANS) for the financing of sewer improvements were issued by the New York State Environmental Facilities Corporation for accepted, eligible sewer projects at no interest cost to the County. On December 2, 2010 the County issued a Bond Anticipation Note (BAN) for the financing of capital projects. The BAN matures on November 30, 2011 and bears interest at .75% per annum.

Purpose	Year of Original	Maturity	Interest Rate	Balance		Balance	
	Issue			January 1, 2010	New Issues	Redemptions	December 31, 2010
Sewer Improvements *	2007	2010	—	2,246,229	—	2,246,229	—
Sewer Improvements *	2008	2011	—	18,500,000	—	14,015,000	4,485,000
Sewer Improvements *	2009	2012	—	55,000,000	—	—	55,000,000
Sewer Improvements *	2010	2013	—	—	47,000,000	—	47,000,000
Various Capital Proj.	2010	2011	0.75%	—	100,000,000	—	100,000,000
				<u>\$ 75,746,229</u>	<u>\$ 147,000,000</u>	<u>\$ 16,261,229</u>	<u>\$ 206,485,000</u>

\* As of December 31, 2010, the County has 3 short-term notes issued by NYSEFC. Of the \$4,485,000 note, the County has drawn down \$1,569,199. Of the \$55,000,000 note, the County has drawn down \$11,456,926. Of the \$47,000,000 note, the County has not drawn any funds. The County has a liability to repay only the amount drawn down from the NYSEFC.

Liabilities for Bond Anticipation Notes are generally accounted for in the Capital Projects Fund. Principal payments on Bond Anticipation Notes must be made annually. State law requires that Bond Anticipation Notes issued for capital purposes be converted to long-term obligations generally within five years after the original issue date. However, Bond Anticipation Notes issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

## I. Pension Plans

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

Funding Policy - The Systems are non-contributory, except for employees in tiers 3 and 4 that have less than ten years of service, who contribute 3% of their salary and employees in tier 5 who also contribute 3% of their salary without regard to their years of service. 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. Contribution rates for the plan year ended March 31, 2010 are as follows:

	<u>Tier</u>	<u>Rates</u>
<b>ERS</b>	1	15.3%-18.3%
	2	14.0%-21.6%
	3	11.3%-11.4%
	4	11.3%-18.5%
	5	9.1%-9.2%
<b>PFRS</b>	1	21.9%
	2	16.8%
	3	16.5%

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

	<b>ERS</b>			<b>PFRS</b>
	<b>Primary</b>	<b>College</b>	<b>WCHCC</b>	<b>Primary</b>
	<b>Government</b>			<b>Government</b>
2010	\$44,919,620	\$2,332,649	\$27,355,000	\$6,773,189
2009	32,482,931	1,265,499	22,466,000	4,232,592
2008	30,585,751	1,289,091	20,421,000	4,198,073

### 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 but before January 1, 2010 and have less than ten years of service, who contribute 3% of their salary and employees who joined the System January 1, 2010 or after who contribute 3.5% of their salary up until retirement. 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. Contribution rates for the plan year ended June 30, 2010 are as follows:

<u>Tiers</u>	<u>Regular</u>
1-4	6.19%
5	Not Applicable

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

	<u>TRS</u>
2010	\$ 824,447
2009	528,337
2008	506,183

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 in tiers 3 and 4 that have less than ten years of service, who contribute 3% of their salary and employees in tier 5 who contribute 3% of their salary without regard to years of service. 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, 2010, the College incurred \$3,339,432 in pension costs under this Plan.

## WCHCC—Pension Program

Substantially all of WCHCC's employees are covered by retirement plans of the New York State and Local Employees' Retirement System (the System). The System is a cost-sharing, multiple public employer retirement system. Obligations of employers to contribute and benefits provided to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). The System offers a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits, and optional methods of benefit payments.

The NYSRSSL provides that all participating employers are jointly and severally liable for any actuarially unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the System. The System is noncontributory except for employees in tier 3 and 4 that have less than ten years of service who contribute 3% of their salary and employees in tier 5 who contribute 3% of their salary without regard to their years of service. Charges from the System cover April 1 to March 31 of the year in which the payment is due, which was February 1, 2011 for the 2009-2010 State plan year and February 1, 2010 for the 2009-2010 State plan year. The amount outstanding for current and prior year contributions as of December 31, 2010 and 2009 was approximately \$27,681,000 and \$24,370,000, respectively, and is included in accounts payable and accrued expenses in the Combining Statement of Net Assets.

WCHCC's annual plan cost amounted to approximately \$27,335,000, \$22,466,000, and \$20,421,000 in 2010, 2009, and 2008 respectively, based on a percentage (which varies with length of service) of the salaries of covered employees.

### J. Long-term Liabilities

The following table summarizes changes in the County's long-term indebtedness for the year ended December 31, 2010.

	Balance January 1, 2010	New Issues/ Additions	Defeasance and/or Payments	Balance December 31, 2010	Due Within One Year
<b>Governmental Activities:</b>					
Bonds Payable	\$ 705,298,835	\$ 289,960,244	\$ (165,508,309)	\$ 829,750,770	\$ 84,120,126
Add Deferred amounts on Refunding	6,672,200	1,893,018	(627,097)	7,938,121	—
	<u>711,971,035</u>	<u>291,853,262</u>	<u>(166,135,406)</u>	<u>837,688,891</u>	<u>84,120,126</u>
Bond Anticipation					
Notes Payable	32,455,000	—	(32,455,000)	—	—
Compensated Absences	47,750,543	5,477,180	(13,051,336)	40,176,387	4,017,639
Landfill Post-Closure Costs	35,318,723	—	(897,885)	34,420,838	914,857
Capital Lease Payable	120,018,126	—	(6,403,707)	113,614,419	8,272,500
Judgments and Claims	31,445,000	—	—	31,445,000	1,000,000
Estimated Post Retirement					
Health Insurance Liability	231,739,837	222,480,000	(42,380,000)	411,839,837	—
Governmental Activities Long-term Liabilities	<u>\$ 1,210,698,264</u>	<u>\$ 519,810,442</u>	<u>\$ (261,323,334)</u>	<u>\$ 1,469,185,372</u>	<u>\$ 98,325,122</u>
<b>Business-type Activities:</b>					
Bonds Payable	<u>\$ 165,430,053</u>	<u>\$ —</u>	<u>\$ (1,204,179)</u>	<u>\$ 164,225,874</u>	<u>\$ —</u>

Each governmental fund's liability for bonds, notes, capital leases, compensated absences and landfill post-closure costs are liquidated by the respective fund, which is funded from the other governmental funds.



## Bonds Payable

Bonds payable at December 31, 2010 are comprised of the following individual issues:

<b>Purpose</b>	<b>Year/Name of Issue</b>	<b>Original Issue Amount</b>	<b>Final Maturity</b>	<b>Interest Rates</b>	<b>O/S 12/31/2010</b>
General Obligation	1991A	\$ 48,025,000	September, 2011	4.340%	\$ 1,910,000
General Obligation	1991B	63,635,000	September, 2011	5.750%	1,195,000
General Obligation	1993A	39,150,000	December, 2012	5.300%	1,735,000
General Obligation	1994A	41,687,402	November, 2014	6.500% to 6.600%	803,811
General Obligation	1995B	9,995,000	December, 2015	5.300% to 5.375%	2,100,000
General Obligation	1997A	20,510,000	December, 2016	5.200% to 5.650%	5,040,000
General Obligation	1997B	1,455,000	June, 2014	4.950% to 5.300%	395,000
General Obligation	1997C	13,970,000	December, 2015	5.150% to 5.300%	2,505,000
General Obligation	2000A	2,200,000	December, 2019	5.430% to 5.960%	990,000
General Obligation	2000B	7,485,000	July, 2020	5.192% to 5.742%	3,540,000
General Obligation	2001A	5,986,860	November, 2020	4.370% to 5.130%	2,975,000
General Obligation	2001B	1,413,940	November, 2016	4.335% to 4.894%	450,000
General Obligation	2001C	8,089,638	November, 2017	4.334% to 4.954%	2,865,000
General Obligation	2001D	377,955	May, 2019	4.334% to 5.104%	225,000
General Obligation	2001E	2,925,237	November, 2020	4.334% to 5.154%	1,435,000
General Obligation	2002A	2,122,532	October, 2016	4.320% to 4.712%	870,000
General Obligation	2002B	8,900,000	October, 2021	4.032% to 4.982%	4,895,000
General Obligation	2002C	22,330,800	October, 2020	3.944% to 5.004%	12,230,000
General Obligation	2002F	19,835,000	December, 2012	3.500% to 3.625%	2,880,000
General Obligation	2003A	38,454,487	January, 2033	2.920% to 4.612%	29,320,000
General Obligation	2003B	43,770,000	December, 2018	3.100% to 4.000%	27,180,000
General Obligation	2003C	6,230,000	December, 2013	3.100% to 3.500%	2,240,000
General Obligation	2003D	60,790,000	November, 2016	5.000%	32,280,000
General Obligation	2004A	43,491,522	August, 2033	3.581% to 5.150%	34,410,000
General Obligation	2004B	4,280,000	November, 2014	5.500%	1,890,000
General Obligation	2004C	75,060,000	October, 2024	3.000% to 4.000%	21,085,000
General Obligation	2005A	27,033,150	November, 2034	2.724% to 4.569%	21,520,000
General Obligation	2005B	5,163,580	October, 2023	3.069% to 3.939%	3,520,000
General Obligation	2005C	49,975,000	November, 2025	3.750% to 4.250%	17,625,000
General Obligation	2005D	2,000,000	November, 2012	3.500% to 3.750%	575,000
General Obligation	2006A	223,215	October, 2035	3.891% to 4.861%	165,000
General Obligation	2006B	4,211,710	October, 2036	3.731% to 4.861%	3,610,000
General Obligation	2006C	77,645,000	November, 2026	3.500% to 4.000%	33,025,000
General Obligation	2007A	89,835,000	November, 2027	3.500% to 4.250%	53,210,000
General Obligation	2007B	38,855,000	November, 2027	4.000% to 4.375%	26,760,000
General Obligation	2008A	15,212,688	April, 2038	4.270%	14,340,000
General Obligation	2009A	108,405,000	January, 2024	2.000% to 4.000%	108,405,000
General Obligation	2009B	8,925,000	January, 2029	2.000% to 4.500%	8,925,000
General Obligation	2009C	50,880,000	November, 2019	5.000%	50,835,000
General Obligation	2009D	2,991,715	April, 2034	4.270%	2,866,715
General Obligation	2010A	94,005,000	October, 2022	1.000% to 4.000%	91,905,000
General Obligation	2010B	121,885,000	June, 2022	2.000% to 5.000%	121,885,000
General Obligation	2010C	41,800,000	June, 2040	2.000% to 6.100%	41,800,000
General Obligation	2010D	4,293,666	April, 2037	0.383% to 4.603%	4,293,666
General Obligation	2010E	27,976,578	October, 2039	0.286% to 4.603%	27,041,578
					<u>\$ 829,750,770</u>

## Blended Component Unit Debt

### WTASC

WTASC issued \$216,600,000 of Series 2005 bonds on June 15, 2005 in an advance refunding of the original bonds issued on December 22, 1999, with interest rates ranging from 4.65% to 5.30%, depending upon maturity. The gross proceeds from the issuance were \$211,842,422. Proceeds of \$171,280,542 were used to purchase U.S. Government and U.S. Treasury securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 1999 bonds. The Series 1999 bonds are considered to be defeased and the liability for those bonds has been removed from the statement of net assets.

The reacquisition price exceeded the net carrying amount of the old debt by \$38,075,299 and the original issue discount paid was \$4,757,578. These amounts are being netted against the new debt and amortized over the remaining life of the refunded debt.

At December 31, 2010, \$97,575,000 of outstanding Series 1999 bonds is considered defeased. The WTASC debt is an obligation of WTASC and is not County debt. This debt is payable from future tobacco revenues.

A schedule of WTASC planned structured principal maturities is below:

<b>Year ending December 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	\$ —	\$ 10,187,225	\$ 10,187,225
2012	—	10,187,225	10,187,225
2013	—	10,187,225	10,187,225
2014	—	10,187,225	10,187,225
2015	—	10,187,225	10,187,225
2016 through 2045	201,080,000	198,329,188	399,409,188
	<u>201,080,000</u>	<u>\$ 249,265,313</u>	<u>\$ 450,345,313</u>
Unamortized original issue discount	(4,093,502)		
Deferred amounts on refunding	<u>(32,760,624)</u>		
	<u>\$ 164,225,874</u>		

The annual requirements to amortize all issued bond debt outstanding as of December 31, 2010 are as follows:

Year Ending December 31,	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 84,120,126	\$ 31,607,143	\$ —	\$ 10,187,225	\$ 84,120,126	\$ 41,794,368
2012	78,281,709	28,816,703	—	10,187,225	78,281,709	39,003,928
2013	69,737,650	26,279,792	—	10,187,225	69,737,650	36,467,017
2014	67,251,256	23,764,249	—	10,187,225	67,251,256	33,951,474
2015	62,934,979	20,853,705	—	10,187,225	62,934,979	31,040,930
2016-2020	259,880,003	70,331,858	9,980,000	50,299,375	269,860,003	120,631,233
2021-2025	128,415,002	30,117,078	23,200,000	46,042,875	151,615,002	76,159,953
2026-2030	42,135,000	14,135,289	26,600,000	39,700,250	68,735,000	53,835,539
2031-2035	26,815,000	5,726,322	33,900,000	32,095,313	60,715,000	37,821,635
2036-2040	10,180,046	1,126,040	45,800,000	21,945,250	55,980,046	23,071,290
2041-2045	—	—	61,600,000	8,246,125	61,600,000	8,246,125
	<u>\$ 829,750,770</u>	<u>\$ 252,758,178</u>	<u>\$ 201,080,000</u>	<u>\$ 249,265,313</u>	<u>\$ 1,030,830,770</u>	<u>\$ 502,023,491</u>

## Interest Expense

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

General Fund		<u>\$ 19,471,550</u>
Sewer Districts		<u>10,037,539</u>
Refuse Disposal District		<u>884,013</u>
Airport Fund		630,090
Water Districts		<u>112,905</u>
Total Non-Major Funds		<u>742,995</u>
Total Governmental Funds		31,136,097
Statement of Activities		
Additional Interest on Capital Lease	1,526,293	
Change in Accrued Interest Payable	<u>1,393,347</u>	<u>2,919,640</u>
Total Statement of Activities		<u>\$ 34,055,737</u>

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

## Advance Refunding

On January 28, 2010, the County issued \$94,005,000 in General Obligation Refunding Bonds to advance refund an aggregate of \$91,140,000 of previously issued County Bonds as follows: 1998B, \$5,655,000; 2000C, \$1,750,000; 2001F, \$29,825,000; 2002E, \$15,895,000; 2004C, \$7,050,000; 2005C, \$3,770,000; 2006C, \$12,820,000; 2007A, \$8,570,000; and 2007B, \$5,805,000. The net proceeds of \$96,025,651 (net of \$2,561,118 re-offering premium and after payment of \$540,467 in underwriting fees and other issuance costs) were used to purchase U.S. Government securities. Those securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the County considers these bonds to be defeased and the liability for those serial bonds have been removed from the Statement of Net Assets. The advance refunding reduced the County's total debt service payments over 13 years by \$4,499,614 and provided a net present value economic gain of \$4,218,747.

## 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, 2010, \$38,015,000 of refunded bonds outstanding is considered defeased.

## Capital Lease Payable

In 1998, the County entered into a lease agreement with the New York State Dormitory Authority to rehabilitate the County's Courthouse and to replace the Courthouse's façade and to construct a three story annex. Using the New York State Dormitory Authority as the conduit issuer, bonds were issued for the Courthouse construction. On April 12, 2006 the County refunded a portion of the 1998 bonds, in conjunction with the issuance of \$21 million of new money to complete the Courthouse project. The County will realize an annual average savings of approximately \$268,000 in the years 2010 through 2018, inclusive. The new money financing increased the annual lease payments by approximately \$1,625,000 in the years 2006 through 2023, inclusive.

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

2011	\$ 12,108,839
2012	12,110,114
2013	12,107,504
2014	12,107,305
2015	12,107,775
2016-2020	57,618,122
2021-2023	34,694,153
	<u>152,853,812</u>
Less amounts representing interest	<u>(39,239,393)</u>
Present Value of Lease Payments	<u><u>\$ 113,614,419</u></u>

Interest expense of \$5,739,735 was recorded in the Statement of Activities.

## **Compensated Absences**

Beginning July 1, 2010 the County revised the adopted sick leave buyout plan for the managerial class of employees (Executive Plan and Teamsters). The plan provides that, at the termination of employment, the Executive employees may receive payment of fifty percent of up to 100 days, and the Teamsters 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 CSEA 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 CSEA employee receive more than 150 days of pay. The terms for sick pay for the County's other bargaining units have similar provisions. The value of the accumulated sick leave was approximately \$31,915,278 at December 31, 2010. The estimated vacation leave at December 31, 2010 was approximately \$8,261,109. This amount has been reflected in the Statement of Net Assets. Accumulated sick and vacation leave of the component units has been recorded as an expense, as the benefits accrue to the employees.

## **Landfill Post-Closure Costs**

State and Federal laws and regulations require the Refuse Disposal District to cover its Sprout Brook Ash Landfill and Croton Point Landfill as areas are filled. Current estimates for the costs to close and cover all areas at the landfill are \$6,949,702. The County anticipates funding this cost through the issuance of bonds. The estimated post-closure maintenance and monitoring functions will cost approximately \$27,471,136 over the years 2011 through 2037. The Refuse Disposal District will fund the post-closure operating costs through tipping fees and tax levies.

Croton Point Landfill has estimated capital closure costs of \$2,836,420, with estimated post closure costs of \$13,066,636 for the years 2011 through 2031.

Sprout Brook Ash Landfill has estimated capital closure costs of \$4,113,282, with estimated post closure costs of \$14,404,500 for the years 2011 through 2037.

## **Post Employment Health Care Benefits**

The primary government, its College component unit and the WCHCC provide 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, its College component unit and the WCHCC may vary according to length of service. Substantially all employees may become eligible for those benefits if they reach normal retirement age while working for these entities. The cost of retiree health care benefits is recognized as an expenditure/expense as claims are paid at the fund level.

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, which is an actuarially determined amount. GASB Statement 45 establishes standards for the measurement, recognition and display of the expenses and liabilities for retirees' medical insurance. As a result, reporting of expenses and liabilities will no longer be recognized under the "pay-as-you-go" approach. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. For the calendar year ended December 31, 2010, the County's annual OPEB cost of \$222,480,000 was equal to the Annual Required Contribution.

Actuarial valuations for OPEB plans involved estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. In addition, the assumptions and projections utilized do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial calculations of the OPEB plan reflect a long-term perspective.

The County is required to accrue on the government-wide financial statements the amounts necessary to finance the Plan as actuarially determined, which is equal to the balance not paid by plan members.

The number of participants as of December 31, 2010 was as follows:

Active Employees	5,469
Retired Employees	<u>3,934</u>
Total	<u>9,403</u>

Funding for the Plan has been established on a pay-as-you-go basis. The trend rate of increase employed begins at 9.5% for the first year, and then decreases by 0.5% per year through the 10<sup>th</sup> year to 5%. It then continues at 5% in the years thereafter.

The amortization basis is the level percentage of projected payroll method with an open amortization approach with 30 years remaining in the amortization period. The actuarial assumptions included a 4% investment rate of return. While the County currently has not set aside any assets for the purpose of paying postemployment benefits, a designation of fund balance has been established. The actuarial cost method utilized was the entry age normal method.

Amortization Component:

Actuarial Accrued Liability as of January 1, 2010	\$ 2,617,040,000
Assets at Market Value	<u>—</u>
Unfunded Actuarial Accrued Liability	<u>\$ 2,617,040,000</u>
Funded ratio	0.00%
Covered payroll (active plan members)	431,950,000
UAAL as a percentage of covered payroll	605.87%
Annual Required Contribution	\$ 222,480,000
Interest on Net OPEB Obligation	<u>—</u>
Annual OPEB Cost	222,480,000
Contributions Made	<u>(42,380,000)</u>
Increase in Net OPEB Obligation	180,100,000
Net OPEB Obligation - January 1, 2010	<u>231,739,837</u>
Net OPEB Obligation - December 31, 2010	<u>\$ 411,839,837</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the current and two preceding years were as follows:

<b>Fiscal Year Ended December 31, 2010</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2010	\$ 222,480,000	19.05%	\$ 411,839,837
2009	121,293,611	33.4	231,739,837
2008	112,417,210	34.9	151,008,590

## WCHCC

WCHCC provides Other Postemployment Benefits (OPEB) that provides basic medical and hospitalization plan coverage to eligible retirees. Eligible retirees may only be covered under the indemnity plan of WCHCC. To qualify, retirees must: (i) have at least five years of paid service with WCHCC (service prior to January 1, 1998 with the County counts towards the five-year requirement); and (ii) be eligible to receive a retirement allowance from a retirement system administered by the State of New York or one of its civil divisions. Employees hired on or after January 1, 2007 require 20 years of service to qualify for a post retirement health benefit. Individual coverage is provided to retirees at no cost. Retirees may elect family coverage at a cost of 20% of the difference between the premium equivalent cost of family and individual coverage. Currently, 74% of the participants have elected individual coverage, with the full cost borne by WCHCC.

WCHCC's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of WCHCC's annual OPEB cost for the years ended December 31, 2010 and 2009, the amount actually contributed to the plan, and changes in WCHCC's net OPEB obligation.

	<b>2010</b>	<b>2009</b>
Annual required contribution	\$ 14,067,938	\$ 18,645,384
Amortization of change in estimate	(1,400,885)	-
Contributions made	(7,423,900)	(6,917,330)
Increase in OPEB obligation	5,243,153	11,728,054
Net OPEB obligation - beginning of year	49,569,883	37,841,829
Net OPEB obligation - end of year	<u>\$ 54,813,036</u>	<u>\$ 49,569,883</u>

As of January 1, 2010 and 2009, the plan was unfunded. The unfunded actuarial accrued liability (UAAL) as of December 31, 2010 and 2009 is \$254.1 million and \$243.3 million, respectively. The covered payroll (annual payroll of active employees covered by the plan) and the ratio of the UAAL to the covered payroll as of December 31, 2010 and 2009 are \$243.3 million and 97.7% and \$230.4 million and 82.0%, respectively. (See Required Supplementary Information).

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, including assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

For the 2010 and 2009 actuarial valuation, the frozen entry age actuarial cost method was used. For 2010, the actuarial assumptions include a 5% investment rate of return, and an annual initial healthcare cost trend rate of 8% for pre-65 and 3.3% for post-65, grading over ten years to an ultimate rate of 3.9% for pre-65 and 3% for post-65. For 2009, the actuarial assumptions include a 5% discount rate, and an annual initial healthcare cost trend rate of 9% for pre-65 and 6.5% for post-65, reduced by decrements to an ultimate rate of 4.5% for 2017 and after.

## WCHCC

Notes payable activity as of December 31, 2010 and 2009 was as follows:

	<b>December 31, 2009 Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>December 31, 2010 Balance</b>	<b>Amount Due Within One Year</b>
Notes Payable	\$ 63,000,000	\$ —	\$ (63,000,000)	\$ —	\$ —

	<b>December 31, 2008 Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>December 31, 2009 Balance</b>	<b>Amount Due Within One Year</b>
Notes Payable	\$ 63,000,000	\$ —	\$ —	\$ 63,000,000	\$ 63,000,000

In accordance with Section 9.0 of the Transition Agreement and Section 9.0 of the Cooperation Agreement with the County, the County agrees to provide credit support in the form of a contract to provide subsidies for the purposes of obtaining commercial paper, letters of credit, revolving lines of credit, or to otherwise provide a guarantee of WCHCC's repayment obligation. In 2001, WCHCC obtained access to \$75,000,000 in taxable commercial paper through an investment bank which was subsequently decreased to \$70,000,000 in 2007. During 2008, WCHCC converted the taxable commercial paper to tax exempt commercial paper and obtained access to \$63,000,000 in tax exempt commercial paper through the same investment bank. The outstanding balance as of December 31, 2010 and 2009 was \$0 and \$63,000,000 respectively, guaranteed by the County and had an interest rate of 0% and .55% as of December 31, 2010 and 2009, respectively. In December 2010, the outstanding balance of commercial paper was fully repaid.

Interest expense for the commercial paper was approximately \$270,000 and \$1,341,000 for the years ended December 31, 2010 and 2009, respectively.

A summary of long-term debt is as follows at December 31, 2010 and 2009:

<b>Bonds Payable</b>	<b>2010</b>	<b>2009</b>
2000 Series Bonds (a)	\$ 113,240,000	\$ 223,060,000
2002 Series Bonds (b)	—	3,375,000
2010 Series Bonds (c)	283,390,000	—
Loan agreement (d)	—	30,000,000
Capital leases (e)	6,831,444	5,467,016
	<u>403,461,444</u>	<u>261,902,016</u>
Less Current Installments	10,301,861	9,398,452
	<u>\$ 393,159,583</u>	<u>\$ 252,503,564</u>



Long-term debt activity as of December 31, 2010 and 2009 was as follows:

	<b>December 31, 2009 Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>December 31, 2010 Balance</b>	<b>Amts Due Within One Year</b>
<b>Long-term debt</b>					
2000 Series Bonds (a)	\$ 223,060,000	\$ —	\$ (109,820,000)	\$ 113,240,000	\$ —
2002 Series Bonds (b)	3,375,000	—	(3,375,000)	—	—
2010 Series Bonds (c)	—	283,390,000	—	283,390,000	7,995,000
Loan Agreement (d)	30,000,000	—	(30,000,000)	—	—
Capital leases (e)	5,467,016	3,110,640	(1,746,212)	6,831,444	2,306,861
	<u>\$ 261,902,016</u>	<u>\$ 286,500,640</u>	<u>\$ (144,941,212)</u>	<u>\$ 403,461,444</u>	<u>\$ 10,301,861</u>

	<b>December 31, 2008 Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>December 31, 2009 Balance</b>	<b>Amts Due Within One Year</b>
<b>Long-term debt</b>					
2000 Series Bonds (a)	\$ 230,170,000	\$ —	\$ (7,110,000)	\$ 223,060,000	\$ 7,520,000
2002 Series Bonds (b)	3,640,000	—	(265,000)	3,375,000	275,000
Loan Agreement (d)	—	30,000,000	—	30,000,000	—
Capital leases (e)	—	6,531,346	(1,064,330)	5,467,016	1,603,452
	<u>\$ 233,810,000</u>	<u>\$ 36,531,346</u>	<u>\$ (8,439,330)</u>	<u>\$ 261,902,016</u>	<u>\$ 9,398,452</u>

- a. In 2000, WCHCC participated in a bond offering dated November 1, 2000 relating to \$255,100,000 Westchester County Health Care Corporation Series 2000 Revenue Bonds consisting of \$113,240,000 Series 2000A Senior Lien with interest varying from 5.875% to 6% and maturing on November 1, 2025 and November 1, 2030, \$91,310,000 Series 2000B Subordinate Lien (Westchester County Guaranteed) with interest varying from 5% to 5.375% and maturing on November 1, 2017, November 1, 2020 and November 1, 2030, \$47,575,000 Series 2000C-1 Tax Exempt – Subordinate Lien (Westchester County Guaranteed) with interest varying from 5% to 5.375% maturing on November 1, 2019, and \$2,975,000 Par Adjusted Rate Securities Series 2000C-2 Subordinate Lien (Westchester County Guaranteed) maturing on November 1, 2019. The proceeds of the Series 2000 Bonds, together with available funds, have and are being used to: (i) finance the construction of the Children's Hospital and related projects at the Medical Center; (ii) refinance indebtedness of WCHCC to the County; (iii) finance certain routine capital projects at WCHCC facilities; (iv) reimburse WCHCC for costs incurred in the acquisition of an on-site parking facility; (v) fund, from the proceeds of the Series 2000 Senior Bonds, separate debt service reserve fund accounts for the Series 2000 Senior Bonds and Series 2000 Subordinate Bonds; and (vi) pay costs related to the issuance of the aforementioned bonds.

In December 2010, WCHCC participated in a bond offering which refunded the outstanding balance of the Series 2000B Subordinate Lien (Westchester County Guaranteed), the Series 2000C-1 Tax Exempt – Subordinate Lien (Westchester County Guaranteed), and the Series 2000C-2 Subordinate Lien (Westchester County Guaranteed).

WCHCC has granted a collateral interest in its gross receipts as well as pledged all funds and accounts established with respect to the Series 2000 Bonds, including a debt service reserve fund of approximately \$15,860,000 as of December 31, 2010.

Under Section 6.13(a) of the Series 2000 Bonds Master Trust Indenture (MTI) between WCHCC and the Bank of New York as the Master Trustee (subsequently changed to Deutsche Bank as the Master Trustee), the Obligated Group, which is defined as the operating unit of Westchester County Health Care Corporation (the Medical Center), must maintain a Long-Term Debt Service Coverage Ratio, tested on a

semiannual basis in accordance with the provisions of the MTI, of at least 1.25 for the Series 2000 Bonds. For the 12-month period ended December 31, 2010 and December 31, 2009, WCHCC met the required Long-Term Debt Service Coverage Ratio.

The following is a schedule by years of future principal and interest payments on the Series 2000A, B and C Bonds as of December 31, 2010:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	\$ -	\$ 6,729,975	\$ 6,729,975
2012	-	6,729,975	6,729,975
2013	-	6,729,975	6,729,975
2014	-	6,729,975	6,729,975
2015	-	6,729,975	6,729,975
2016-2020	-	33,649,875	33,649,875
2021-2025	51,540,000	27,939,081	79,479,081
2026-2030	61,700,000	11,102,100	72,802,100
	<u>\$ 113,240,000</u>	<u>\$ 106,340,931</u>	<u>\$ 219,580,931</u>

Interest expense relating to the Series 2000 Revenue Bonds was approximately \$7,904,000 and \$9,272,000 in 2010 and 2009, respectively.

- b. In December 2002, WCHCC issued its Revenue Bonds (Series 2002 – Subordinate Lien) (Westchester County Guaranteed) (Series 2002 Bonds) in the amount of \$5,070,000, with interest varying from 3.625% to 5% as of December 31, 2009, maturing on November 1, 2019, through a private placement. The proceeds of the Series 2002 Bonds were used to finance and/or refinance a portion of the cost of some or all of the following facilities and purposes: (i) various information technology infrastructure projects; (ii) the design, installation, and reconstruction of various capital projects within Taylor Care Center, the Medical Center, the Behavioral Health Center, and the Bradhurst Pavilion; (iii) the construction of approximately 90 additional parking spaces at the Bradhurst Pavilion; (iv) design and construction to convert medical surgical beds to certified intensive care unit requirements; and (v) the acquisition and installation of fixed and moveable medical equipment, office, and other furnishings and computer and information systems, in connection with all of the foregoing.

In December 2010, WCHCC participated in a bond offering which refunded the outstanding balance of the Series 2002 Subordinate Lien Bonds (Westchester County Guaranteed).

Interest expense relating to the Series 2002 Bonds was approximately \$105,000 and \$153,000 in 2010 and 2009, respectively.

- c. In December 2010, WCHCC participated in a bond offering dated November 1, 2010 relating to \$226,110,000 Westchester County Health Care Corporation Revenue Bonds, Series 2010, Senior Lien consisting of \$37,390,000 Series 2010A (Federally Taxable – Direct Payment – Build America Bonds) with an interest rate of 8.572% and maturing on November 1, 2040; \$124,860,000 Series 2010B (Tax-Exempt) with interest rates varying from 4.0% to 6.125% and maturing November 1, 2011 through November 1, 2020, November 1, 2030 and November 1, 2037; \$31,450,000 Series 2010C-1 (Federally Taxable – Direct Payment – Build America Bonds) with an interest rate of 8.572% maturing on November 1, 2040; and \$32,410,000 Series 2010C-2 (Tax Exempt) with an interest rate of 6.125% maturing on November 1, 2037.

The following is a schedule by year of future principal and interest payments on the Series 2010 Bonds as of December 31, 2010:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	\$ 7,995,000	\$ 12,275,781	\$ 20,270,781
2012	9,100,000	13,935,946	23,035,946
2013	9,355,000	13,500,946	22,855,946
2014	9,815,000	13,033,196	22,848,196
2015	10,215,000	12,562,446	22,777,446
2016-2020	55,100,000	54,730,730	109,830,730
2021-2025	1,590,000	46,312,618	47,902,618
2026-2030	8,645,000	45,433,018	54,078,018
2031-2035	18,240,000	43,258,205	61,498,205
2036-2040	96,055,000	24,700,528	120,755,528
	<u>\$ 226,110,000</u>	<u>\$ 279,743,414</u>	<u>\$ 505,853,414</u>

In December 2010, WCHCC also participated in a bond offering dated November 1, 2010 relating to \$57,280,000 Westchester County Health Care Corporation Revenue Bonds, Series 2010D, Senior Lien (Taxable) bearing interest under a Weekly Interest Rate, such rate being 0.36% at December 31, 2010, maturing November 1, 2034. The 2010D series consist of variable rate demand bonds (VRDBs). The Medical Center has entered into an irrevocable letter of credit (LOC) with a financial institution to secure bond repayment and interest obligations associated with its VRDBs. If the VRDBs are unable to be remarketed, the trustee for the VRDB will request purchase under the LOC scheduled repayment terms. Based on the existing terms of the underlying LOC, the LOC will expire on December 21, 2013.

The following is a schedule of future principal payments on the Series 2010D Bonds based on the maturity of the LOC as of December 31, 2010:

	<b>Principal</b>
2011	\$ —
2012	—
2013	5,800,000
2014	5,800,000
2015	5,800,000
2016-2017	39,880,000
	<u>\$ 57,280,000</u>

The LOC referred to above which backs WCHCC's VRDBs, expires in 2013, therefore the above table represents required payments based on that expiration. On an annual basis WCHCC may request the maturity date of the LOC be extended by one year. Scheduled principal payments on the underlying bonds are as follows; 2031 - \$13,995,000, 2032 - \$14,470,000, 2033 - \$14,975,000, and 2034 - \$13,840,000.

The proceeds of the Series 2010 Bonds and Series 2010D Bonds, together with available funds, have and are being used to: (i) finance certain capital projects at WCHCC's facilities that require certificates of need

from the Department of Health of the State of New York and (ii) pay costs related to the issuance of the Series 2010A Bonds and Series 2010D Bonds.

WCHCC has granted a collateral interest in its gross receipts, as well as pledged all funds and accounts established with respect to the Series 2010 Bonds and Series 2010D Bonds, including a debt service reserve fund of approximately \$18,697,000 as of December 31, 2010.

Under Section 6.13(a) of the Series 2000 Bonds Master Trust Indenture (MTI) between WCHCC and Deutsche Bank as the Master Trustee, the Obligated Group, which is defined as the operating unit of Westchester County Health Care Corporation (the Medical Center), must maintain a Long-Term Debt Service Coverage Ratio, tested on a semiannual basis in accordance with the provisions of the MTI, of at least 1.25 for the Series 2010 Bonds and Series 2010D Bonds. For the year ended December 31, 2010, WCHCC met the required Long-Term Debt Service Coverage Ratio.

Interest expense relating to the Series 2010 Bonds was approximately \$858,000 in 2010.

- d. During 2009, WCHCC entered into a Loan Agreement with a commercial bank with an interest rate determined as LIBOR Rate plus three hundred and fifteen basis points, but in no case shall the rate be less than three hundred and fifty basis points, such rate being 3.50% at December 31, 2009. The Loan Agreement provided for interest only until April 1, 2011 and then monthly installments of principal and interest, commencing on April 1, 2011 and a final payment due on March 4, 2014. WCHCC had granted a collateral interest in its gross receipts. Under Article 4, Section 4.2 of the Loan Agreement between WCHCC and the commercial bank, WCHCC must maintain a Long-Term Debt Service Coverage Ratio, of not less than 1.25. For the year ended December 31, 2009, WCHCC met the required Long-Term Debt Service Coverage Ratio.

The amount outstanding was \$30,000,000 as of December 31, 2009. WCHCC repaid the loan in December 2010.

- e. WCHCC has entered into certain capital lease agreements which are accounted for in accordance with the accounting principles included in the FASB leasing authoritative guidance. WCHCC's capital lease obligations are collateralized by the underlying equipment and bear interest at rates between 4.51% and 7.35%.

The future minimum lease payments under the capital lease obligations, together with the present value of the minimum lease payments as of December 31, 2010, are as follows:

<b><u>Year</u></b>	<b><u>Amount</u></b>
2011	\$ 2,619,769
2012	1,914,766
2013	1,337,297
2014	1,095,288
2015	521,046
	<hr/> 7,488,166
Less: Amount representing interest	656,722
Present value of net minimum lease payments	<hr/> 6,831,444
Less: Current portion	2,306,861
	<hr/> <hr/> \$ 4,524,583

The interest expense applicable to these leases was approximately \$337,000 and \$261,000 in 2010 and 2009, respectively.

## K. Transfers

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

Transfers Out	Transfers In					Total
	General	Sewer Districts	Refuse Disposal District	Capital Projects	Non-Major Governmental	
General	\$ —	\$ 11,650	\$ 15,000	\$ —	\$ 5,769,985	\$ 5,796,635
Sewer Districts	311,575	—	—	—	—	311,575
Refuse Disposal District	—	—	—	1,200,000	—	1,200,000
Capital Projects	1,596,428	—	—	—	498,529	2,094,957
Non-Major Governmental	—	—	—	380,500	—	380,500
Business-type—WTASC	1,818,337	—	—	—	—	1,818,337
	<u>\$ 3,726,340</u>	<u>\$ 11,650</u>	<u>\$ 15,000</u>	<u>\$ 1,580,500</u>	<u>\$ 6,268,514</u>	<u>\$ 11,602,004</u>

Transfers are used to: 1) move amounts earmarked in the operating funds to fulfill commitments for Capital Projects Fund expenditures and other fund expenditures, and 2) move unexpended Capital Projects Fund balances to the operating funds that originally provided the funding.

## L. Net Assets

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

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

*Restricted for Casualty Claims*—the component of net assets that has been established to set aside funds to be used for a specific purpose in accordance with Section 6N of General Municipal Law.

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

*Restricted for Component Units*—the component of net assets of the County’s Component Units that are restricted as to their use.

*Restricted for Retirement*—the component of net assets that represents funds restricted for the payment of the County’s retirement contributions.

*Restricted for E911 and related*—the component of net assets that represents funds restricted for the E911 program and its related costs.

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

## M. Fund Balances (Deficit)

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

	General	Sewer Districts	Refuse Disposal District	Capital Projects	Non-Major Governmental	Total
Reserved for Encumbrances	\$ 5,389,811	\$ 822,672	\$ 531,622	\$ —	\$ 998,407	\$ 7,742,512
Reserved for E911 and related	3,474,709	—	—	—	—	3,474,709
Reserved for State Receivables	10,000,000	—	—	—	—	10,000,000
Reserved for Debt Service	—	—	—	8,467,358	—	8,467,358
Total Reserved	18,864,520	822,672	531,622	8,467,358	998,407	29,684,579
Designated for Medicaid Claims	4,400,000	—	—	—	—	4,400,000
Designated for Other Post Employment Benefits (GASB 45)	41,000,000	—	—	—	—	41,000,000
Designated for Vehicle Replacement	341,000	—	—	—	—	341,000
Designated for Investment in Inventories	50,000	—	—	—	—	50,000
Designated for NYS Retirement Stabilization	17,000,000	—	—	—	—	17,000,000
Designated for Capital Studies	630,000	—	—	—	—	630,000
Designated for Subsequent Year's Expenditures	41,808,528	9,896,691	12,032,985	—	5,314,117	69,052,321
Undesignated	35,986,461	56,439,663	47,655,206	(134,781,268)	36,474,225	41,774,287
Total Unreserved	141,215,989	66,336,354	59,688,191	(134,781,268)	41,788,342	174,247,608
Total Fund Balances (Deficit)	\$ 160,080,509	\$ 67,159,026	\$ 60,219,813	\$ (126,313,910)	\$ 42,786,749	\$ 203,932,187

## 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.

The Reserve for E911 and related has been established to fund future costs for the E911 program.

The Reserve for State Receivables is primarily for the NYS Education and Transportation of the Handicapped Children Program and represents the Administration's estimate of State aid amounts which will not be remitted to the County within the period "available" for income recognition by the County in 2010 and other State aid that, due to the State's fiscal problems, may not be remitted within the "available" period. These funds are not "available" for appropriation or expenditure even though they are a component of current assets.

## Unreserved - Designated

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

*Designation for Medicaid Claims:* The County has designated \$4,400,000 of the fund balance of the General Fund to provide future funding on Medicaid expenditures.

*Designation for Other Post Employment Benefits (GASB 45):* The County has designated \$41,000,000 to provide funding for post retirement health care employee benefits effective for the fiscal year 2010.

*Designation for Vehicle Replacement:* The County has designated \$341,000 to provide funding for the replacement of County vehicles.

*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.

*Designation for NYS Retirement Stabilization:* The County has designated \$17,000,000 to provide funding for the New York State Retirement System billing to protect the County from market volatility in the New York State Retirement System investment portfolio.

*Designation for Capital Studies:* The County has designated \$630,000 of the fund balance to be used in determining the feasibility of future capital projects.

*Designation for Subsequent Year's Expenditures:* At December 31, 2010, the County has designated that \$41,808,528 of the General Fund, \$9,896,691 of the Sewer Districts Fund, \$12,032,985 of the Refuse Disposal District Fund, \$297,738 of the Water Districts Fund and \$5,016,379 of the Airport Fund be used to fund 2011 operations.

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

	<b>Reserved for Encumbrances</b>	<b>Designated for Subsequent Year's Expenditures</b>	<b>Undesignated</b>	<b>Total</b>
<b>SEWER DISTRICTS FUND</b>				
Blind Brook .....	\$ 56,718	\$ 382,246	\$ 3,994,525	\$ 4,433,489
Bronx Valley.....	216,815	1,995,842	10,043,642	12,256,299
Central Yonkers.....	14,148	53,940	629,886	697,974
Hutchinson Valley.....	60,086	426,676	3,041,725	3,528,487
Mamaroneck Valley .....	137,600	231,650	11,700,929	12,070,179
New Rochelle .....	70,509	1,411,943	2,728,117	4,210,569
North Yonkers .....	38,273	480,291	1,405,441	1,924,005
Ossining .....	25,467	1,093,078	2,378,220	3,496,765
Peekskill .....	34,917	673,319	2,531,924	3,240,160
Port Chester .....	16,005	686,482	3,219,335	3,921,822
Saw Mill Valley .....	120,375	2,024,899	13,388,700	15,533,974
South Yonkers .....	18,521	224,062	632,969	875,552
Upper Bronx Valley.....	13,238	212,263	744,250	969,751
	<u>\$ 822,672</u>	<u>\$ 9,896,691</u>	<u>\$ 56,439,663</u>	<u>\$ 67,159,026</u>
<b>WATER DISTRICTS FUND</b>				
Water District No. 1	\$ 41,451	\$ —	\$ 3,508,784	\$ 3,550,235
Water District No. 2	—	50,000	57,944	107,944
Water District No. 3	57,795	247,738	4,761,308	5,066,841
Water District No. 4	—	—	312,689	312,689
	<u>\$ 99,246</u>	<u>\$ 297,738</u>	<u>\$ 8,640,725</u>	<u>\$ 9,037,709</u>

## NOTE 4

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### 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 an expenditure in excess of any applicable insurance or has not been provided for in the self-insurance reserves.

Management has reviewed the outstanding lawsuits and has determined that all claims, except those noted below, 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.

Westchester County Correction Officers Benevolent Association, Inc., et al. v. County of Westchester and Westchester County Department of Correction (Action I). The union and fifteen individually named plaintiffs in this action are claiming that the County breached Appendix B of the collective bargaining agreement ("CBA") by not providing disability benefits pursuant to New York Workers' Compensation Law to Correction Officers upon their retirement from service. Appendix B, which was first agreed to in 1986, became inoperative on September 18, 2000 when a new CBA, which contained a new procedure ("Article XX") for resolving job injury claims, was entered into.

Trial in this action commenced on October 20, 2010. During the trial, the County Attorney's office engaged in settlement discussions with plaintiff's counsel in an attempt to resolve this matter. As a result of those extensive settlement discussions, a proposed settlement was agreed upon resolving the issues raised in the instant litigation. The terms of the settlement included: (a) payment to plaintiffs, inclusive of attorney's fees and costs, in the amount of \$4,341,600; and (b) agreement by the County to continue the payment of medical expenses related to the plaintiff's job injuries. Payment was made to plaintiffs earlier this year and has been accrued in the Insurance Reserve Fund at December 31, 2010.

Westchester County Correction Officers Benevolent Association, Inc., et al. v. County of Westchester and Westchester County Department of Correction (Action II). In this action, the union and nineteen individually named plaintiffs are claiming that the County breached Appendix B of a long-expired CBA by not providing permanent disability benefits pursuant to Workers' Compensation Law to Correction Officers upon their retirement from service. The plaintiffs in this action are distinguishable from those in Action I in that they received three-quarters disability retirement benefits and the plaintiffs in Action I received one-third disability retirement benefits.

Trial in this action commenced on October 20, 2010. At the close of plaintiffs' case, the County moved for a directed verdict arguing that plaintiffs would receive a double payment in excess of any benefit they would have received pursuant to Workers' Compensation Law. In granting the County's motion for a direct verdict, the Court held that payment of the benefits sought by plaintiffs, even if the payment was intended by the parties, which was disputed at trial, would violate public policy. Judgment dismissing the Complaint was filed and entered on December 7, 2010. Plaintiffs filed a notice of appeal on January 6, 2011. The appeal has yet to be perfected. No accruals have been made for an unfavorable outcome, if any, in these financial statements.

Westchester County Correction Officers Benevolent Association, Inc. et al. v. County of Westchester and Westchester County Department of Correction (Action III). On May 18, 2010, the union and fifteen individually named plaintiffs filed an action claiming, as was claimed in Action I above, that the County breached Appendix B of the CBA by not providing disability benefits pursuant to New York Workers' Compensation Law to Correction Officers upon their retirement from service. Appendix B, which was first agreed to in 1989, became inoperative on September 18, 2000 when a new CBA, which contained a new procedure ("Article XX") for resolving job injury claims, was entered into. On March 17, 2011 the County filed a motion for summary judgment seeking dismissal



of action, and plaintiffs cross-moved for partial summary judgment on the issue of contractual liability. Due to the inherent uncertainty of this type of proceeding, this Office is unable to express an opinion on the probable outcome of the case at this stage. No accruals have been made for an unfavorable outcome, if any, in these financial statements.

Westchester County Correction Officers Benevolent Association, Inc., et al. v. County of Westchester and Westchester County Department of Correction (Action IV). On May 18, 2010, the union and nine individually named plaintiffs filed an action claiming, as was claimed in Action II above, that the County breached Appendix B of the CBA by not providing disability benefits pursuant to New York Workers' Compensation Law to Correction Officers upon their retirement from service. Appendix B, which was first agreed to in 1989, became inoperative on September 18, 2000 when a new CBA, which contained a new procedure ("Article XX") for resolving job injury claims, was entered into. Discovery is very nearly complete. The plaintiffs in this action are distinguishable from those in Action III in that they received three quarters disability retirement benefits and the plaintiffs in Action III received one third disability retirement benefits. Due to the inherent uncertainty of this type of proceeding, this Office is unable to express an opinion on the probable outcome of the case at this stage. No accruals have been made for an unfavorable outcome, if any, in these financial statements.

Westchester County Correction Officers Benevolent Association, Inc., et al. v. County of Westchester (Action V). On February 7, 2011, the union and sixteen individually named Plaintiffs filed an action claiming that the County breached Appendix B of the CBA by not providing disability benefits pursuant to New York State Workers' Compensation Law to Correction Officers upon their retirement from service. Appendix B, which was first agreed to in 1989, became inoperative on September 18, 2000 when a new CBA was entered into which contained a new procedure ("Article XX") for resolving job injury claims, was entered into. Some of the sixteen plaintiffs receive one third salary disability retirement benefits while others receive three quarters salary disability benefits. Due to the inherent uncertainty of this type of proceeding, this Office is unable to express an opinion on the probable outcome of the case at this stage. No accruals have been made for an unfavorable outcome, if any, in these financial statements.

Westchester County Correction Officers Benevolent Association, Inc., et al. v. County of Westchester (Action VI). On February 7, 2011, the union and thirteen individually named Plaintiffs filed an action claiming that the County breached Article XVII of the CBA, a provision for resolving job injury claims similar to Article XX, which was entered into in February of 2002. There is no cause of action in the Complaint alleging violation of Appendix B. Some of the thirteen plaintiffs receive one third salary disability retirement benefits while others receive three quarters salary disability benefits. Three of the plaintiffs remain in the employ of the County. On March 30, 2011, the County filed a motion to dismiss the Complaint based on a lack of subject matter jurisdiction. The motion is fully submitted. Due to the inherent uncertainty of this type of proceeding, this Office is unable to express an opinion on the probable outcome of the case at this stage. No accruals have been made for an unfavorable outcome, if any, in these financial statements.

Retired Police Officer Caldara, et al. v. County of Westchester (Action VII). On February 7, 2011, the twenty-seven individually named plaintiffs filed an action claiming that the County breached Appendix C of the CBA by not providing disability benefits pursuant to New York State Workers' Compensation Law to Correction Officers upon their retirement from service. The retired officers' union is not a party to this action. Appendix C, which was first agreed to in 1990, became inoperative in 2005 when an interest arbitrator issued an Award containing a new procedure ("Article XX") for resolving job injury claims. Some of the twenty-seven plaintiffs receive one third salary disability retirement benefits while others receive three quarters salary disability benefits. Due to the inherent uncertainty of this type of proceeding, this Office is unable to express an opinion on the probable outcome of the case at this stage. No accruals have been made for an unfavorable outcome, if any, in these financial statements.

United States of America ex rel. Anti-Discrimination Center of Metro New York, Inc. v. Westchester County, New York. This action was commenced in 2007 under 31 U.S.C. Section 3729 et seq. ("the False Claims Act"), alleging violations thereof during the period of April 1, 2000 to April 1, 2006 in connection with its receipt of federal funding for housing and community development. In 2009, the federal government intervened. After extensive negotiations, the County and the federal government agreed to settle the litigation as set forth in the

Stipulation and Order of Settlement and Dismissal which sets forth specifics in regard thereto. There has been no change in the terms of the Stipulation and Order of Settlement and Dismissal.

Briglia v. County of Westchester, Westchester County Health Benefits Plan, Westchester County Finance Department, POMCO, Inc. and Preferred Medical Claims Solutions, LLC. Plaintiff, an out-of-network health care provider who alleges that he provided certain medical treatment(s) to the child of a County of Westchester (“County”) employee, filed a Complaint in Federal District Court of New Jersey. Plaintiff asserts numerous state law claims against the County and POMCO, Inc., the third party administrator for the Westchester County Benefits Plan for (i) breach of contract; (ii) breach of fiduciary duty; (iii) fraud; (iv) declaratory judgment; and; (v) estoppel. Plaintiff alleges that there remains over one million dollars in unpaid medical claims which the County has failed to pay. On March 18, 2010, the County moved to dismiss the Complaint for lack of personal jurisdiction and improper venue. Subsequently, Plaintiff consented to have the case transferred to the Southern District of New York, White Plains Division, where the action is currently pending. The matter is in the discovery stage. Due to the inherent uncertainty of this type of proceeding, the County is unable to express an opinion on the probable outcome of the case at this stage. No accruals have been made for an unfavorable outcome, if any, in these financial statements.

Central Speech Language Pathology, P.C. v. County of Westchester. Plaintiff entered into a contract with the County Department of Health (“DOH”) and agreed to provide early intervention speech and language pathology to customers of the DOH between 1998 and 2005. In February 2005, the DOH notified Central Speech that an audit had revealed overpayments in the sum of \$1,329,876 to Central Speech and froze payment on all unpaid invoices to offset the overpayments. Central Speech exercised its right under the contract to dispute the claim before an administrative hearing officer, but then abandoned the proceeding and commenced suit against the County for failure to pay the invoices. Following a full audit, the County identified billing irregularities and invoices for work performed by unqualified employees/consultants of Central Speech. The County answered and asserted counterclaims totaling approximately \$2.5 million. Settlement negotiations are pending. Due to the inherent uncertainty of this type of proceeding, the County is unable to express an opinion on the probable outcome of the case at this stage. No accruals have been made for an unfavorable outcome, if any, in these financial statements.

## **Risk Management**

Since 1986, the County has self-insured its exposure for general negligence, auto and public official’s 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 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, 2010 for claims arising from 1986 through 2010 occurrences.

## **Leases and Commitments**

The County has commitments under various operating leases for equipment and facilities with rentals totaling \$243,482,838 with various expiration dates through December 31, 2027. Annual required payments on existing leases are payable as follows:

2011	\$ 21,920,697
2012	20,520,746
2013	17,989,487
2014	17,563,367
2015	16,267,843
Thereafter	<u>135,284,293</u>
	<u>\$ 229,546,433</u>

## **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 noncancelable operating leases as of December 31, 2010 that have initial or remaining lease terms in excess of one year:

	<u><b>Rent Expense</b></u>	<u><b>Rent Income</b></u>
2011	\$ 14,390,000	\$ 2,265,000
2012	8,689,000	2,196,000
2013	5,772,000	2,146,000
2014	3,816,000	1,941,000
2015	3,351,000	1,216,000

Total rental expense in 2010 and 2009 for all operating leases was approximately \$17,781,000 and \$17,262,000, respectively.

## **CONTINGENCIES—WCHCC**

### **Background**

The State Legislature adopted legislation during 1997 which created WCHCC as a public benefit corporation of the State. A long-term Lease and an Operating Agreement to transfer the facilities and operations to WCHCC had been developed with the County which was effective January 1, 1998. Subsequent to January 1, 1998, additional negotiations resulted in a Transition Agreement and an Amended and Restated Lease Agreement.

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

### **Transition Agreement**

The terms of the Transition Agreement commenced on January 1, 1998 and continued for a period of ten years, ending on December 31, 2007. During this period there were various amendments to the Transition Agreement which provided WCHCC with continued financial support by the County.

### **Cooperation Agreement**

On December 8, 2008 the Westchester County Board of Legislators approved Act No. 233-2008 authorizing the County to enter into a Cooperation Agreement, and on December 15, 2008 the County and the WCHCC entered into the Cooperation Agreement which amended and restated the Transition Agreement. The term of the Cooperation Agreement retroactively commenced January 1, 2008 and continues through December 31, 2017.

Beginning in 1998, WCHCC financed working capital through the issuance of its commercial paper which was credit-enhanced by a line of credit agreement. The County provided credit support for WCHCC's working capital in the form of an appropriation specifically linked to such working capital financing in the County's Operating Budget. In 2009 the County and WCHCC entered into a First Amendment to the Cooperation Agreement dated December 17, 2009 in order to revise the pay down schedule for the commercial paper. Thereafter in 2010, the County and WCHCC entered into a Second Amendment to the Cooperation Agreement dated December 21, 2010 wherein WCHCC released the County from its obligation to provide WCHCC with Credit Support under Article

Nine of the Cooperation Agreement. In December 2010 WCHCC repaid the commercial paper in full. The Cooperation Agreement also allows for additional guarantees of WCHCC's long-term debt at the discretion of the County.

In addition, in December 2010 WCHCC refunded and defeased all of the outstanding amounts of WCHCC's Revenue Bonds that had been guaranteed by the County. The County now holds a subordinate position on all outstanding WCHCC bonds.

## **Reimbursement**

### ***Medicare***

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

WCHCC's psychiatric unit was reimbursed on a cost-based system, subject to certain cost limits though December 31, 2004. Commencing January 1, 2005, Medicare began transitioning this service to PPS and is paying on a per diem basis, also recognizing the intensity of services provided to the patients, age and co-morbidities.

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

The New York Health Care Reform Act of 1996 (the Act), as amended, which governs payments to hospitals in New York State, expired on June 30, 2005 and has been extended until December 31, 2011. Under the Act, Medicaid, workers' compensation, and no-fault payors pay rates are promulgated by the New York State Department of Health. Fixed payment amounts per inpatient discharge are established based on the patient's assigned case mix intensity similar to a Medicare DRG. All other third-party payors, principally Blue Cross, other private insurance companies, Health Maintenance Organizations (HMOs), Preferred Provider Organizations (PPOs), and other managed care plans, negotiate payment rates directly with WCHCC. Such arrangements vary from DRG-based payment systems, per diems, case rates, and percentage of billed charges. If such rates are not negotiated, then the payors are billed at WCHCC's established charges.

New York State regulations provide for the distribution of funds from an indigent care pool which is intended to partially offset the cost of services provided to the uninsured. The funds are distributed to the hospitals based on each hospital's level of bad debts and charity care in relation to all other hospitals. For the years ended December 31, 2010 and 2009, WCHCC received distributions of \$8.1 million and \$24.8 million from the indigent care pool.

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

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

Revenue from the Medicare and Medicaid programs accounted for approximately 20% and 12%, respectively, of WCHCC's net patient service revenue for the year ended December 31, 2010 and 19% and 13%, respectively, for the year ended December 31, 2009. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by material amounts in the near term. WCHCC believes that it is in compliance, in all material

respects, with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation. Noncompliance with such laws and regulations could result in repayments of amounts improperly reimbursed, substantial monetary fines, civil and criminal penalties, and exclusion from the Medicare and Medicaid programs.

### ***Disproportionate Share***

WCHCC is eligible to receive certain Disproportionate Share (“DSH”) payments in recognition of the costs associated with the provision of care to uninsured patients. Funding for these payments is provided by local and Federal sources. WCHCC includes these payments in net patient service revenue in the accompanying Statements of Revenues, Expenses and Changes in Net Deficit. In 2010 and 2009, WCHCC recorded \$128.4 million and \$149.8 million, respectively, of DSH revenue. Amounts recognized in revenue represent amounts received for which all required Federal and State approvals have been received during WCHCC's fiscal year.

### **Third-Party Reimbursement**

The following is the activity of estimated third-party payor liabilities for the years ended December 31, 2010 and 2009:

	<b>December 31, 2009 Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>December 31, 2010 Balance</b>	<b>Amounts due Within One Year</b>
<b>Estimated third-party payor</b>	\$ 88,160,002	\$ 17,535,406	\$ (47,283,912)	\$ 58,411,496	\$ 12,328,614

	<b>December 31, 2008 Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>December 31, 2009 Balance</b>	<b>Amounts due Within One Year</b>
<b>Estimated third-party payor</b>	\$ 86,982,828	\$ 21,240,124	\$ (20,062,950)	\$ 88,160,002	\$ 24,077,005

A health care entity's revenues may be subject to adjustment as a result of examination by government agencies or contractors. The audit process and the resolution of significant related matters often are not finalized until several years after the services were rendered. Reasonable estimates of such adjustments are central to third-party revenue recognition in order to avoid recognizing revenue that will not ultimately be realized. The delay between rendering services and reaching final settlement, as well as the complexities and ambiguities of billing and reimbursement regulations, makes it difficult to estimate net realizable third-party revenues. Actual results may differ significantly from those estimates.

Management recognizes revenues relating to third-party settlements and patient service revenues when the realization of such amounts are reasonably assured. Management makes a reasonable estimate of amounts that ultimately will be realized, considering, among other things, adjustments associated with regulatory reviews, audits, billing reviews, investigations, or other proceedings.

WCHCC has received payments related to Medicaid services and settlement, DSH and other Medicare related reimbursements. Due to the fact that certain of these revenues may be subject to adjustment as a result of examination by government agencies, management has determined that not all of these receipts are realizable as of December 31, 2010 and therefore have not been recognized as revenue. Included in the estimated third-party-payor liabilities at December 31, 2010 are approximately \$27.9 million that have been received by WCHCC that have been determined to not yet be realizable given certain uncertainties and the fact that they are subject to further adjustment.

## **Other Matters**

The operation of WCHCC's patient care services business is subject to federal and state laws prohibiting fraud by healthcare providers, including laws containing criminal provisions, which prohibit filing false claims or making false statements in order to receive payment or obtain certification under Medicare and Medicaid programs, or failing to refund overpayments or improper payments. Violation of these criminal provisions is a felony punishable by imprisonment and/or fines. WCHCC may also be subject to fines and treble damage claims if WCHCC knowingly filed a false claim or knowingly used false statements to obtain payment. State and federal governments are devoting increased attention and resources to anti-fraud initiatives against healthcare providers. The Health Insurance Portability and Accountability Act of 1996 and the Balanced Budget Act of 1997 expanded the penalties for healthcare fraud, including broader provisions for the exclusion of providers from the Medicare and Medicaid programs.

WCHCC has received two (2) separate subpoena duces tecum from the Office of the Inspector General of the United States Department of Health and Human Resources, the first in 2007 and the second in 2008. The 2007 subpoena requests the production of financial documents, documents relating to contracts between WCHCC and its affiliated physicians, and other categories of requests. Documents have been produced and WCHCC will continue to produce responsive documents in a "rolling production." WCHCC is fully cooperating with the Department of Health and Human Services. WCHCC is unaware of any violations of statutes or regulations and it is premature to speculate as to whether it has any financial exposure. The 2008 subpoena relates to inpatient outlier payments. The subpoena covers the time period of January 1, 1997 through December 31, 2003. Documents have been produced and WCHCC will continue to produce responsive documents in a "rolling production." WCHCC is unaware of any violations of statutes or regulations and it is premature to speculate as to whether or not it has any financial exposure.

Various suits and claims arising in the normal course of operations are pending. While the outcome of these suits cannot be determined at this time, management believes that such suits and claims are either specifically covered by insurance or the final disposition of such claims will not have a material effect on WCHCC's financial position, results of operations, or liquidity.

## **OTHER CONTINGENCIES**

a) 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.

b) The County has ten labor organizations which represent most of the County work force for collective bargaining purposes. The status of the various union contracts is as follows:

The New York State Nurses Association (NYSNA) contract will expire on December 31, 2011;

The Westchester County Correction Officers Benevolent Association (COBA) contract expired on December 31, 2001 and was continued by interest arbitration awards through December 31, 2008. The parties are currently engaged in negotiations for a successor agreement;

The Westchester County Department of Correction Superior Officers Association (SOA) contract expired on December 31, 2001 and was continued by interest arbitration awards through December 31, 2008. The parties are currently engaged in negotiations for a successor agreement;

The Westchester Community College Federation of Teachers (WCCFT) contract will expire on August 31, 2011;

The Westchester County Police Officers Benevolent Association, Inc. (PBA) and The Westchester County Police Officers Benevolent Association, Superior Officers Unit (SPBA) contracts expired on December 31, 2002 and were

continued by interest arbitration awards through 2008. Negotiations for new agreements have commenced;

The District Attorney Investigators PBA contract expired on December 31, 2006 and was continued by interest arbitration award through December 31, 2008. Negotiations for a new contract are in progress;

The Civil Service Employees Association (CSEA) has a six-year agreement which will expire on December 31, 2011;

The Civil Service Employees Association (CSEA) unit representing all non-faculty, administration employees of Westchester Community College expired December 31, 2009; negotiations for a successor agreement have commenced;

The International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America, AFL-CIO, Local 456 representing administrators and managers, had a contract that expired on December 31, 2008. Negotiations for a successor agreement have not yet commenced.

c) The enforceability of the rights and remedies of the State (and thus the bondholders) and of the obligations of a participating manufacturer under the Master Settlement Agreement (MSA) are subject to the Bankruptcy Code and the other applicable insolvency, moratorium or similar laws relating to or affecting the enforcement of creditors' rights. Some of the risks include risks of delay in or reduction of amounts of payment or of non-payment under the MSA and the risk that the State (and thus the County and/or WTASC) may be stayed for an extended time from enforcing any rights under the MSA and the Consent Decree or with respect to the payments owed by the bankrupt participating manufacturer or from commencing legal proceedings against the bankrupt participating manufacturer. As a result, if a participating manufacturer becomes a debtor in a bankruptcy case and defaults in making payment, funds available to WTASC to pay bondholders may be reduced or eliminated.

The bonds are payable only from the assets of WTASC. The bonds are neither legal nor moral obligations of WCHCC, the County or the State of New York, and no recourse may be had thereto for payment of amounts owing on the bonds. WTASC's only source of funds for payments on the bonds is the collections and amounts on deposit in pledged accounts pursuant to the indenture. WTASC has no taxing power and no significant assets other than the rights to receive tobacco settlement revenues.

d) On December 9, 2008, the Westchester County Board of Legislators (the "Board") by Act No. 240-2008, authorized the County to enter into a new Order on Consent (the "2008 Consent Order") with the State of New York Department of Environmental Conservation ("DEC"), which was fully executed on December 30, 2008. The 2008 Consent Order is in place of and in order to adjust the County's obligations under an existing Order on Consent, which was entered into on December 24, 2004 ("2004 Consent Order" and together with the 2008 Consent Order, the "Consent Orders"). The 2004 Consent Order was executed in settlement of the administrative claims of the DEC relating to, among other things, the County's anticipated noncompliance with state and federally mandated nitrogen removal standards to be imposed in the State Pollutant Discharge Elimination System ("SPDES") permits for the four County-owned waste water treatment plants ("WWTPs") which discharge into the Long Island Sound ("LIS"), namely: (1) the New Rochelle WWTP; (2) the Mamaroneck Valley WWTP; (3) the Blind Brook WWTP; and (4) the Port Chester WWTP. The 2004 Consent Order was the result of a multi-year study of nitrogen-based pollution in the Long Island Sound, known as the Long Island Sound Study ("LISS") which began in 1985, and the subsequent agreement of the United States Environmental Protection Agency ("USEPA"), and the States of New York and Connecticut to impose mandatory nitrogen reductions on all municipal WWTPs which discharge into the Long Island Sound and require them to reduce nitrogen discharges. The 2008 Consent Order requires improvements be undertaken at only two of the four LIS WWTPs, namely the Mamaroneck Valley and New Rochelle WWTPs (the "BNR Project") to meet nitrogen discharge standards set forth in the NYSDEC-issued SPDES permits for all four Long Island Sound WWTPs, in the aggregate, by 2017. This substantially reduces the overall cost of compliance, because it is more efficient to reduce aggregate nitrogen discharges by making more comprehensive improvements at the two selected WWTPs than it would be to achieve the same reductions by making improvements at all four WWTPs. It further requires the equitable apportionment of all the costs associated with the BNR Project among the four (4) Long Island Sound Sanitary Sewer Districts ("SSDs"), namely: (1) the New Rochelle SSD; (2) the Mamaroneck Valley SSD; (3) the Blind Brook SSD; and (4) the Port Chester SSD, as the Board has determined that all of the properties in the four LIS SSDs are benefited thereby. This is anticipated to have a substantial financial impact on those SSDs. The 2008 Consent Order extends the date for compliance from 2014 to 2017. The estimated maximum cost to complete the work under the 2008 State Consent Order is \$234,700,000. Pursuant to Bond Act No. 239-2008, the County has authorized the issuance of bonds in an

amount not to exceed \$234,700,000 to fund the BNR Project. As of December 31, 2010, \$77,000,000 of Bond Anticipation Notes have been issued by the New York State Environmental Facilities Corporation and appears as an obligation of the Capital Projects Fund. Of this \$77,000,000, the County has a liability to repay only the amount drawn down. Subsequent to December 31, 2010 the County has drawn down an additional \$16,878,483.

## **NOTE 5**

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### **SUBSEQUENT EVENTS**

On February 24, 2011 two Bond Anticipation Notes (BAN), issued by the New York State Environmental Facilities Corporation for accepted eligible sewer improvement projects became obligations of the Capital Projects Fund. The amounts of the two BANs are \$5,748,000 and \$3,450,000. Both notes mature on February 24, 2014 with an interest rate of .73%.

The County, on April 15, 2011 issued a \$50 million Tax Anticipation Note (TAN) with an interest rate of .45%. The TAN was issued to provide cash flow assistance to the County leading up to the May 25, 2011 property tax collection. The TAN matured on June 15, 2011 and was paid in full.

On or about July 14, 2011, the County anticipates closing on \$100,500,000 of long-term financing through the New York State Environmental Facilities Corporation's New York State Revolving Fund Series 2011. At December 31, 2010, \$1,569,199 of short-term borrowings drawn on \$39,485,000 of three Bond Anticipation Notes will be refinanced to long-term through this anticipated transaction. In addition, \$24,610,322 of short-term borrowings subsequent to December 31, 2010 is anticipated to be refinanced through the above series as well.

### **WCHCC**

In March 2011, WCHCC obtained a \$25 million working capital revolving line of credit from a financial institution. The line of credit matures in one year and may be renewed with the approval of the financial institution or converted to a three year term loan.



**Westchester County**  
**Schedule of Funding Progress**  
**Required Supplementary Information**  
**Other Post Employment Benefits**

**Exhibit E-1**

**Last Three Fiscal Years**

Actuarial			Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
Valuation Date	Value of Assets	Accrued Liabilty				
December 31, 2008	\$ -	\$ 1,087,900,000	\$ 1,087,900,000	0%	\$ 389,515,600	279%
December 31, 2009	-	1,173,800,000	1,173,800,000	0%	415,825,035	282%
December 31, 2010	-	2,617,040,000	2,617,040,000	0%	431,950,000	606%

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## COUNTY OF WESTCHESTER

Statement of Budgeted Revenues and Expenditures  
General Fund

	For the Years Ended December 31,		
	2011(a)	2010	2009
<b>REVENUES:</b>			
Tax Levy on Real Property.....	\$ 555,053,491	\$ 560,753,491	\$ 544,941,481
Sales Tax.....	459,285,000	432,600,000	478,235,000
Mortgage Tax.....	13,500,000	13,750,000	17,050,000
Hotel Tax.....	4,800,000	4,420,000	5,625,000
Auto Use Tax.....	15,100,000	14,900,000	15,500,000
	<u>1,047,738,491</u>	<u>1,026,423,491</u>	<u>1,061,351,481</u>
Federal Aid:			
Social Services .....	163,963,118	177,217,408	122,751,000
Other.....	18,788,351	24,252,083	12,140,479
	<u>182,751,469</u>	<u>201,469,491</u>	<u>134,891,479</u>
State Aid:			
Social Services.....	133,297,187	129,775,798	140,806,000
Other.....	143,958,247	140,820,481	146,947,635
	<u>277,255,434</u>	<u>270,596,279</u>	<u>287,753,635</u>
Charges for Services:			
Departmental Income.....	160,728,510	160,395,507	153,468,855
	<u>160,728,510</u>	<u>160,395,507</u>	<u>153,468,855</u>
Earnings on Investments.....	350,000	350,000	2,900,000
	<u>350,000</u>	<u>350,000</u>	<u>2,900,000</u>
Miscellaneous Revenues:			
Harness Racing Admissions Tax.....	5,000	5,000	5,000
Other.....	28,419,218	84,174,983	88,801,012
	<u>28,424,218</u>	<u>84,179,983</u>	<u>88,806,012</u>
Total Revenues.....	<u>1,697,248,122</u>	<u>1,743,414,751</u>	<u>1,729,171,462</u>
Other Financing Sources:			
Operating Transfers In.....	434,100	4,058,082	8,188,378
Bond Proceeds.....	-	-	4,500,000
Bond Anticipation Note Proceeds.....	-	-	36,000,000
WCHCC Credit Support .....	56,000,000	63,000,000	63,000,000
	<u>56,434,100</u>	<u>67,058,082</u>	<u>107,688,378</u>
Total Revenues and Other Financing Sources.....	<u>\$ 1,753,682,222</u>	<u>\$ 1,810,472,833</u>	<u>\$ 1,840,859,840</u>

(a) As adopted.

**COUNTY OF WESTCHESTER**

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

<b>EXPENDITURES:</b>	<b>For the Years Ended December 31,</b>		
	<b>2011(a)</b>	<b>2010</b>	<b>2009</b>
Current:			
General Government.....	\$ 199,105,267	\$ 197,555,844	\$ 246,247,202
Education.....	169,023,861	172,385,686	167,654,204
Public Safety.....	257,489,989	275,936,276	268,399,886
Health.....	61,026,788	70,645,842	74,887,580
Transportation.....	135,455,000	134,024,542	137,640,276
Economic Assistance and Opportunity.....	579,164,617	637,558,869	639,280,140
Culture and Recreation.....	49,012,144	53,282,153	53,434,508
Home and Community Services.....	3,674,949	5,289,871	5,641,755
Employee Benefits.....	193,616,613	191,827,751	156,723,739
Capital Outlay.....	700,000	832,200	852,000
Debt Service.....	79,318,233	73,369,396	79,093,273
 Total Expenditures.....	 1,727,587,461	 1,812,708,430	 1,829,854,563
Other Financing Uses:			
Operating Transfers Out.....	5,273,266	6,553,456	6,695,404
WCHCC Credit Support.....	56,000,000	63,000,000	63,000,000
 Total Expenditures and Other Financing Uses.....	 1,788,860,727	 1,882,261,886	 1,899,549,967
 Deficiency of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses.....	 (35,178,505)	 (71,789,053)	 (58,690,127)
 Appropriated Fund Balance.....	 41,808,528	 71,789,053	 58,690,127
 Net Budgeted Revenues and Expenditures.....	 6,630,023	 \$ —	 \$ —

(a) As adopted.

**COUNTY OF WESTCHESTER**

**Statement of Budgeted Revenues and Expenditures  
Combined Sewer Districts Fund**

	<b>For the Years Ended December 31,</b>		
	<b>2011 (a)</b>	<b>2010</b>	<b>2009</b>
<b>REVENUES:</b>			
Tax Levy on Real Property.....	\$ 94,379,861	\$ 91,596,524	\$ 87,382,000
Departmental Income.....	3,951,012	4,175,028	4,102,961
Earnings on Investments.....	3,237,680	3,260,647	5,463,860
Total Revenues.....	<u>101,568,553</u>	<u>99,032,199</u>	<u>96,948,821</u>
Other Financing Sources:			
Operating Transfers In.....	<u>3,700</u>	<u>10,650</u>	<u>80,250</u>
Total Revenues and Other Financing Sources.....	<u>101,572,253</u>	<u>99,042,849</u>	<u>97,029,071</u>
<b>EXPENDITURES:</b>			
Current:			
General Government.....	2,450,000	2,135,176	2,374,000
Home and Community Services.....	65,148,372	68,123,033	69,823,172
Employee Benefits.....	13,963,476	14,838,189	12,050,065
Capital Outlay.....	845,000	1,715,842	1,363,630
Debt Service.....	<u>28,911,996</u>	<u>26,335,122</u>	<u>25,478,406</u>
Total Expenditures.....	111,318,844	113,147,362	111,089,273
Other Financing Uses:			
Operating Transfers Out.....	<u>150,100</u>	<u>311,575</u>	<u>369,395</u>
Total Expenditures and Other Financing Uses.....	<u>111,468,944</u>	<u>113,458,937</u>	<u>111,458,668</u>
Deficiency of Revenues and Other Financing Sources			
Over Expenditures and Other Financing Uses .....	(9,896,691)	(14,416,088)	(14,429,597)
Appropriated Fund Balance.....	<u>9,896,691</u>	<u>14,416,088</u>	<u>14,429,597</u>
Net Budgeted Revenues and Expenditures.....	<u>—</u>	<u>\$ —</u>	<u>\$ —</u>

(a) As adopted.

**COUNTY OF WESTCHESTER**

**Statement of Budgeted Revenues and Expenditures  
Combined Water Districts**

	For the Years Ended December 31,		
	2011 (a)	2010	2009
<b>REVENUES:</b>			
Tax Levy on Real Property.....	\$ 3,101,358	\$ 3,522,905	\$ 3,493,760
Departmental Income.....	14,100,000	11,612,000	12,000,000
Earnings on Investments.....	14,626	19,364	38,323
Miscellaneous.....	542,843	334,184	282,494
 Total Revenues.....	 17,758,827	 15,488,453	 15,814,577
<b>EXPENDITURES:</b>			
Current:			
Home and Community Services.....	15,655,876	14,497,992	15,187,917
Employee Benefits.....	352,785	307,994	259,230
Capital Outlay.....	675,000	687,483	765,322
Debt Service.....	777,428	662,692	582,752
 Total Expenditures.....	 17,461,089	 16,156,161	 16,795,221
 Deficiency of Revenues Over Expenditures and Other Financing Uses.....	 (297,738)	 (667,708)	 (980,644)
 Appropriated Fund Balance.....	 297,738	 667,708	 980,644
 Net Budgeted Revenues and Expenditures.....	 \$ —	 \$ —	 \$ —

(a) As adopted.

**COUNTY OF WESTCHESTER**

**Statement of Budgeted Revenues and Expenditures  
Refuse Disposal District No. 1**

	<b>For the Years Ended December 31,</b>		
	<b>2011 (a)</b>	<b>2010</b>	<b>2009</b>
<b>REVENUES:</b>			
Tax Levy on Real Property.....	\$ 46,535,977	\$ 46,535,977	\$ 44,750,000
Departmental Income.....	21,060,528	20,226,417	23,470,000
Earnings on Investments.....	513,175	700,000	2,184,030
Miscellaneous.....	60,000	50,000	40,000
 Total Revenues.....	 68,169,680	 67,512,394	 70,444,030
 Other Financing Sources:			
Operating Transfers In.....	83,000	21,000	—
 Total Revenues and Other Financing Sources.....	 68,252,680	 67,533,394	 70,444,030
 <b>EXPENDITURES:</b>			
Current:			
General Government.....	5,322,182	6,030,512	6,859,948
Home and Community Services.....	70,852,444	73,283,240	79,365,074
Employee Benefits.....	1,097,927	1,283,951	990,204
Debt Service.....	3,013,112	3,423,294	3,419,532
 Total Expenditures.....	 80,285,665	 84,020,997	 90,634,758
 Other Financing Uses:			
Operating Transfers Out.....	—	1,200,000	9,440,350
 Total Expenditures and Other Financing Uses.....	 80,285,665	 85,220,997	 100,075,108
 Deficiency of Revenues Over Expenditures and Other Financing Uses.....	 (12,032,985)	 (17,687,603)	 (29,631,078)
 Appropriated Fund Balance.....	 12,032,985	 17,687,603	 29,631,078
 Net Budgeted Revenues and Expenditures.....	 \$ —	 \$ —	 \$ —

(a) As adopted.

**COUNTY OF WESTCHESTER**

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

	<b>For the Fiscal Years Ended</b>		
	<b>August 31, 2011</b>	<b>August 31, 2010</b>	<b>August 31, 2009</b>
<b>REVENUES:</b>			
State Aid.....	\$ 21,920,000	\$ 23,573,000	\$ 22,138,000
Charges for Services.....	44,062,000	38,029,000	35,103,000
Earnings on Investments.....	320,000	400,000	713,000
Total Revenues.....	66,302,000	62,002,000	57,954,000
Other Financing Sources:			
Operating Transfers In.....	26,001,000	24,952,000	24,264,600
Total Revenues and Other Financing Sources.....	92,303,000	86,954,000	82,218,600
<b>EXPENDITURES:</b>			
Current:			
Education.....	66,207,000	63,828,000	60,791,600
Employee Benefits.....	23,492,000	20,983,000	19,431,000
Capital Outlay.....	—	75,000	384,000
Debt Service.....	3,134,000	1,993,000	1,537,000
Total Expenditures.....	92,833,000	86,879,000	82,143,600
Other Financing Uses:			
Operating Transfers Out.....	75,000	75,000	75,000
Total Expenditures and Other Financing Uses.....	92,908,000	86,954,000	82,218,600
Deficiency of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses.....	(605,000)	—	—
Appropriated Fund Balance.....	605,000	—	—
Net Budgeted Revenues and Expenditures.....	\$ —	\$ —	\$ —



**Westchester County**  
**Changes in Fund Balance, Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Revenues</b>										
Taxes on Real Property	\$ 445,356,840	\$ 456,959,661	\$ 520,324,632	\$ 603,873,830	\$ 607,390,830	\$ 632,452,918	\$ 645,415,420	\$ 665,667,775	\$ 680,567,241	\$ 702,408,897
Sales Tax	259,150,845	265,233,848	271,098,315	318,184,668	338,622,882	344,749,918	467,835,719	462,385,067	413,978,855	443,664,756 (1)
Federal Aid	198,729,823	236,981,260	207,601,140	192,877,934	176,497,082	202,123,210	208,570,553	203,358,826	319,253,241	276,786,015
State Aid	279,166,928	285,418,566	310,554,083	308,949,178	288,115,742	305,292,096	325,775,364	351,599,725	336,938,640	302,361,229
Departmental Income	163,774,676	166,586,207	170,707,867	182,294,147	197,871,345	198,911,241	204,928,318	244,382,942	248,750,214	256,622,741
Earnings on Investments	17,409,329	8,879,166	6,841,829	6,814,756	15,123,104	22,011,294	21,516,432	13,349,330	6,443,227	6,399,888
Auto Use Tax	4,971,743	4,600,926	4,988,152	10,244,826	14,767,811	14,629,718	15,358,555	14,885,230	15,059,583	14,821,113
Harness Racing Admissions Tax	8,684	8,790	7,039	4,870	1,819	—	3,297	2,311	4,020	2,705
Hotel Tax	4,672,457	4,264,648	4,207,246	4,368,327	4,669,067	4,848,540	5,332,757	5,300,794	4,119,041	4,751,110
Mortgage Tax	—	—	—	16,027,868	39,836,895	36,533,189	32,483,085	19,279,696	12,425,216	12,969,204
Miscellaneous Revenues	13,295,149	19,791,077	14,247,905	25,144,186	27,302,440	58,175,387	56,257,273	95,095,455	104,251,632	97,739,329
<b>Total Revenues (2)</b>	<b>1,386,536,474</b>	<b>1,448,704,149</b>	<b>1,510,578,208</b>	<b>1,688,784,610</b>	<b>1,710,145,017</b>	<b>1,819,727,511</b>	<b>1,983,476,773</b>	<b>2,075,307,151</b>	<b>2,141,790,910</b>	<b>2,118,525,987</b>
<b>Expenditures</b>										
Current:										
General Government	128,826,567	116,163,093	116,178,008	136,979,413	157,378,319	171,827,501	254,829,282	242,160,944	279,431,789	235,970,454
Education	99,862,676	116,241,294	125,794,290	130,077,673	131,766,092	143,973,836	146,125,987	171,068,446	196,130,122	192,254,247
Public Safety	186,830,937	202,414,122	219,053,796	222,444,357	227,807,313	257,046,664	278,682,519	273,742,739	275,477,983	292,799,806
Health Services	101,324,152	104,128,819	104,130,469	104,414,423	165,986,541	110,921,241	129,914,144	136,428,105	137,295,921	126,448,770
Transportation	100,561,905	152,926,280	137,563,270	129,656,117	151,262,239	182,565,962	160,187,224	212,049,509	270,038,668	194,638,451
Economic Assistance	484,559,542	524,792,699	525,020,722	540,010,085	532,208,977	569,570,290	604,509,815	637,524,166	680,100,078	653,341,074
Culture and Recreation	54,498,965	58,560,816	54,001,186	53,795,001	56,871,702	54,918,046	70,621,987	74,752,669	76,535,501	75,613,252
Home and Community Services	142,351,530	148,249,429	165,385,675	148,436,668	140,351,871	155,146,302	161,567,227	159,253,759	194,399,343	196,449,728
Employee Benefits	92,229,434	95,553,870	116,063,826	158,432,286	155,334,250	165,361,311	162,321,091	168,706,009	171,592,969	210,906,825
Debt Service										
Principal	62,536,736	66,281,095	69,233,784	66,494,105	76,104,782	78,267,903	81,872,578	87,087,784	81,081,243	73,357,213
Interest	25,687,451	24,487,756	26,165,429	26,122,675	28,112,775	27,837,399	28,389,452	30,215,652	28,483,793	31,136,097
Other charges	—	—	—	—	—	—	—	—	358,178	937,599
Capital Outlay	5,387,280	3,826,548	3,491,453	2,565,814	2,153,239	2,677,370	2,150,299	2,349,527	1,606,155	1,981,047
Cost of New Issues	78,737	97,532	302,190	453,821	763,892	593,126	651,665	637,869	851,709	823,673
<b>Total Expenditures</b>	<b>1,485,135,912</b>	<b>1,611,723,353</b>	<b>1,662,384,098</b>	<b>1,719,882,438</b>	<b>1,826,101,992</b>	<b>1,920,706,951</b>	<b>2,081,833,270</b>	<b>2,195,977,178</b>	<b>2,393,383,452</b>	<b>2,286,658,236</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(98,599,438)</b>	<b>(163,019,204)</b>	<b>(151,805,890)</b>	<b>(51,097,828)</b>	<b>(115,956,975)</b>	<b>(100,979,440)</b>	<b>(98,356,497)</b>	<b>(120,670,027)</b>	<b>(251,592,542)</b>	<b>(168,132,249)</b>
<b>Other Financing Sources (Uses)</b>										
Bonds issued	96,418,630	152,703,332	166,965,684	122,831,522	84,171,730	82,079,925	128,690,000	15,212,688	120,321,715	162,243,978
Refunding Bonds Issued	—	—	—	—	—	—	—	—	50,880,000	94,005,000
Bond Premium	—	—	—	—	—	—	—	—	8,569,117	9,998,678
Bond Anticipation Note Issued	—	—	—	—	—	—	—	—	32,503,358	—
Capital leases	—	—	—	—	—	19,815,000	—	—	—	—
Transfers in	29,427,383	29,345,127	24,166,048	12,635,328	69,240,102	18,931,941	16,434,679	24,923,307	30,215,851	11,602,004
Transfers out	(28,943,122)	(13,185,170)	(10,754,577)	(12,635,328)	(12,295,236)	(16,946,329)	(14,382,073)	(22,837,772)	(25,984,275)	(9,783,667)
Proceeds from WCHCC to refund outstanding debt	—	—	—	—	—	—	—	—	—	—
Payment to Bond Escrow Agent	(9,802,796)	(2,025,000)	(66,519,007)	(4,630,000)	—	—	—	—	(59,090,939)	(96,025,652)
<b>Total Other Financing Sources (Uses)</b>	<b>87,100,095</b>	<b>166,838,289</b>	<b>113,858,148</b>	<b>118,201,522</b>	<b>141,116,596</b>	<b>103,880,537</b>	<b>130,742,606</b>	<b>17,298,223</b>	<b>157,414,827</b>	<b>172,040,341</b>
<b>Net Change in Fund Balances</b>	<b>\$ (11,499,343)</b>	<b>\$ 3,819,085</b>	<b>\$ (37,947,742)</b>	<b>\$ 67,103,694</b>	<b>\$ 25,159,621</b>	<b>\$ 2,901,097</b>	<b>\$ 32,386,109</b>	<b>\$ (103,371,804)</b>	<b>\$ (94,177,715)</b>	<b>\$ 3,908,092</b>
<b>Debt Service as a Percentage of Non-capital Expenditures</b>	<b>6.51%</b>	<b>6.23%</b>	<b>6.34%</b>	<b>5.78%</b>	<b>6.10%</b>	<b>6.08%</b>	<b>5.63%</b>	<b>5.72%</b>	<b>5.09%</b>	<b>4.97%</b>

(1) Starting in 2007 and pursuant to GASB Statement Nos 33 and 36, the County is required to record Sales Tax receipts as a revenue and the corresponding payment to the localities as an expenditure.  
(2) Changed presentation of Tobacco Settlement from Revenue to Other Financing Sources - Transfers In

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## COUNTY OF WESTCHESTER

**Adopted Current Operating Budget Comparative Analysis**  
**General Fund - Revenues**

	For the Years Ended December 31,		Change
	2011(a)	2010	
<b>REVENUES:</b>			
Tax Levy on Real Property.....	\$ 555,053,491	\$ 560,753,491	\$ (5,700,000)
Sales Tax.....	459,285,000	432,600,000	26,685,000
Mortgage Tax.....	13,500,000	13,750,000	(250,000)
Hotel Tax.....	4,800,000	4,420,000	380,000
Auto Use Tax.....	15,100,000	14,900,000	200,000
	<u>1,047,738,491</u>	<u>1,026,423,491</u>	<u>21,315,000</u>
Federal Aid:			
Social Services .....	163,963,118	177,217,408	(13,254,290)
Other.....	18,788,351	24,252,083	(5,463,732)
	<u>182,751,469</u>	<u>201,469,491</u>	<u>(18,718,022)</u>
State Aid:			
Social Services.....	133,297,187	129,775,798	3,521,389
Other.....	143,958,247	140,820,481	3,137,766
	<u>277,255,434</u>	<u>270,596,279</u>	<u>6,659,155</u>
Charges for Services:			
Departmental Income.....	160,728,510	160,395,507	333,003
Earnings on Investments.....	350,000	350,000	-
Miscellaneous Revenues:			
Harness Racing Admissions Tax.....	5,000	5,000	-
Other.....	28,419,218	84,174,983	(55,755,765)
	<u>28,424,218</u>	<u>84,179,983</u>	<u>(55,755,765)</u>
Total Revenues.....	1,697,248,122	1,743,414,751	(46,166,629)
Other Financing Sources:			
Operating Transfers In.....	434,100	4,058,082	(3,623,982)
WCHCC Credit Support .....	56,000,000	63,000,000	(7,000,000)
Total Revenues and Other Financing Sources.....	<u>\$ 1,753,682,222</u>	<u>\$ 1,810,472,833</u>	<u>\$ (56,790,611)</u>

(a) As adopted.

**COUNTY OF WESTCHESTER**

**Adopted Current Operating Budget Comparative Analysis  
General Fund - Expenditures**

<b>EXPENDITURES:</b>	<b>For the Years Ended December 31,</b>		<b>Change</b>
	<b>2011(a)</b>	<b>2010</b>	
Current:			
General Government.....	\$ 199,105,267	\$ 197,555,844	\$ 1,549,423
Education.....	169,023,861	172,385,686	(3,361,825)
Public Safety.....	257,489,989	275,936,276	(18,446,287)
Health.....	61,026,788	70,645,842	(9,619,054)
Transportation.....	135,455,000	134,024,542	1,430,458
Economic Assistance and Opportunity.....	579,164,617	637,558,869	(58,394,252)
Culture and Recreation.....	49,012,144	53,282,153	(4,270,009)
Home and Community Services.....	3,674,949	5,289,871	(1,614,922)
Employee Benefits.....	193,616,613	191,827,751	1,788,862
Capital Outlay.....	700,000	832,200	(132,200)
Debt Service.....	79,318,233	73,369,396	5,948,837
Total Expenditures.....	1,727,587,461	1,812,708,430	(85,120,969)
Other Financing Uses:			
Operating Transfers Out.....	5,273,266	6,553,456	(1,280,190)
WCHCC Credit Support.....	56,000,000	63,000,000	(7,000,000)
Total Expenditures and Other Financing Uses.....	<u>\$ 1,788,860,727</u>	<u>1,882,261,886</u>	<u>\$ (93,401,159)</u>

(a) As adopted.