

Westchester County Health Care Corporation

**Basic Financial Statements and
Supplementary Schedules**

(With Management's Discussion and Analysis)

December 31, 2011 and 2010

(With Report of Independent Certified Public Accountants)

Westchester County Health Care Corporation

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December 31, 2011 and 2010

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Report of Independent Certified Public Accountants

The Board of Directors
Westchester County Health Care Corporation

We have audited the accompanying balance sheet of Westchester County Health Care Corporation (“WCHCC”) as of December 31, 2011, and the related statements of revenues, expenses, and changes in net assets (deficit) and cash flows for the year then ended. These financial statements are the responsibility of WCHCC’s management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of WCHCC (Bermuda), Limited, a wholly owned subsidiary of WMC New York, Inc., which is a blended component unit of WCHCC which statements reflect total assets and liabilities of approximately \$98,015,000 and \$86,077,000, respectively, as of December 31, 2011. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for WCHCC (Bermuda), Limited, is based solely on the report of the other auditors. The financial statements of Westchester County Health Care Corporation as of and for the year ended December 31, 2010 were audited by other auditors. Those auditors expressed an unqualified opinion on those financial statements in their report dated May 5, 2011, except for certain information dated November 17, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. 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 WCHCC’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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 provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the 2011 financial statements referred to above present fairly, in all material respects, the financial position of Westchester County Health Care Corporation as of December 31, 2011 and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 and the required supplementary information on page 43 be presented to supplement the basic financial statements. Such information, although not a required 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. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. These limited procedures 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 an opinion on the 2011 financial statements as a whole. The combining information included in the supplemental schedules on pages 44 and 46 is presented for purposes of additional analysis, rather than to present the financial position and results of operations of the individual component units, and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 2011 information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the combining financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. In our opinion, the combining information is fairly stated, in all material respects, in relation to the 2011 financial statements as a whole.

The financial statements of Westchester County Health Care Corporation, as of and for the year ended December 31, 2010, were audited by other auditors whose report dated May 5, 2011, except for certain information dated November 17, 2011, stated that the information included in the supplemental schedules on pages 45 and 47 as of and for the year ended December 31, 2010 has been subjected to the auditing procedures applied in the audit of the basic financial statements and is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Grant Thornton LLP

New York, New York
April 4, 2012

Westchester County Health Care Corporation
Management's Discussion and Analysis (Unaudited)
December 31, 2011 and 2010

This section of the Westchester County Health Care Corporation (WCHCC) annual financial report presents management's discussion and analysis of WCHCC's financial performance during the years ended December 31, 2011, 2010, and 2009. The purpose is to provide an objective analysis of the financial activities of WCHCC based on currently known facts, decisions, and conditions. Please read it in conjunction with the basic financial statements, which follow this section.

Overview of the Basic Financial Statements

This annual report consists of three parts – management's discussion and analysis, the basic financial statements, and supplementary schedules.

The basic financial statements (Balance Sheets, Statements of Revenues, Expenses, and Changes in Net Assets (Deficit), Statements of Cash Flows, and the Notes to the Financial Statements) present, on a comparative basis, the financial position of WCHCC at December 31, 2011 and 2010 and the changes in its financial position for the years then ended. These financial statements report information about WCHCC using accounting methods similar to those used by private-sector companies. The Balance Sheets include all of WCHCC's assets and liabilities. The Statements of Revenues, Expenses, and Changes in Net Assets (Deficit) reflect each year's activities on the accrual basis of accounting, where revenues and expenses are recorded when services are provided or obligations are incurred, not when cash is received or paid. The financial statements also report WCHCC's net deficit (the difference between assets and liabilities) and how that has changed. Net deficit is one way to measure financial health or condition. The Statements of Cash Flows provide relevant information about each year's cash receipts and cash payments and classify them as operating, noncapital financing, capital and related financing and investing activities. The Notes to the Financial Statements explain information in the financial statements and provide more detailed data.

Westchester County Health Care Corporation
Management's Discussion and Analysis (Unaudited)
December 31, 2011 and 2010

Financial Analysis
Summary of Assets, Liabilities, and Net Assets (Deficit)
December 31, 2011, 2010, and 2009

	<u>2011</u>	<u>2010</u>	<u>2009</u>	2011-2010 Percentage Change
Assets				
Current assets	\$ 364,732,857	\$ 318,585,457	\$ 304,716,399	14.5%
Capital assets	307,242,640	302,109,401	285,291,653	1.7
Other assets	<u>182,396,281</u>	<u>147,262,747</u>	<u>110,860,171</u>	<u>23.9</u>
Total assets	<u>\$ 854,371,778</u>	<u>\$ 767,957,605</u>	<u>\$ 700,868,223</u>	<u>11.3%</u>
Liabilities				
Current liabilities	\$ 221,254,472	\$ 199,783,740	\$ 264,228,639	10.7%
Long-term portion of debt	451,235,404	393,159,583	252,503,564	14.8
Other long-term liabilities	<u>187,449,617</u>	<u>185,533,548</u>	<u>201,070,981</u>	<u>1.0</u>
Total liabilities	<u>859,939,493</u>	<u>778,476,871</u>	<u>717,803,184</u>	<u>10.5%</u>
Net assets (deficit)				
Restricted	\$ 4,584,648	\$ 5,753,905	\$ 7,063,142	(20.3)%
Unrestricted	<u>(10,152,363)</u>	<u>(16,273,171)</u>	<u>(23,998,103)</u>	<u>(37.6)%</u>
Total net assets (deficit)	<u>\$ (5,567,715)</u>	<u>\$ (10,519,266)</u>	<u>\$ (16,934,961)</u>	<u>(47.1)%</u>

Westchester County Health Care Corporation
Management's Discussion and Analysis (Unaudited)
December 31, 2011 and 2010

Financial Analysis

Summary of Revenues, Expenses, and Changes in Net Assets (Deficit)
Years ended December 31, 2011, 2010, and 2009

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2011-2010 Percentage Change</u>
Operating revenues				
Net patient service revenue	\$ 859,728,521	\$ 804,909,784	\$ 777,312,239	6.8%
Other revenue	<u>22,356,401</u>	<u>25,594,439</u>	<u>20,309,560</u>	<u>(12.7)</u>
Total operating revenues	<u>882,084,922</u>	<u>830,504,223</u>	<u>797,621,799</u>	<u>6.2</u>
Operating expenses				
Salaries and benefits	502,347,639	453,867,889	432,596,045	10.7
Supplies and other expenses	290,807,910	296,181,642	303,336,306	(1.8)
Professional liability	23,105,934	24,892,385	18,331,216	(7.2)
Depreciation and amortization	<u>42,551,994</u>	<u>39,919,753</u>	<u>35,806,349</u>	<u>6.6</u>
Total operating expenses	<u>858,813,477</u>	<u>814,861,669</u>	<u>790,069,916</u>	<u>5.4</u>
Operating income	23,271,445	15,642,554	7,551,883	48.8
Nonoperating activities, net				
Decrease in net deficit	<u>(18,319,894)</u>	<u>(9,226,859)</u>	<u>48,633</u>	<u>98.5</u>
Decrease in net deficit	4,951,551	6,415,695	7,600,516	(22.8)
Net deficit				
Beginning of year	<u>(10,519,266)</u>	<u>(16,934,961)</u>	<u>(24,535,477)</u>	<u>(37.9)</u>
End of year	<u>\$ (5,567,715)</u>	<u>\$ (10,519,266)</u>	<u>\$ (16,934,961)</u>	<u>(47.1)</u>

Westchester County Health Care Corporation
Management's Discussion and Analysis (Unaudited)
December 31, 2011 and 2010

Overall Financial Position and Operations

WCHCC reported operating income of \$23.3 million, \$15.6 million and \$7.6 million for the years ended December 31, 2011, 2010, and 2009, respectively. WCHCC's net deficit decreased \$5.0 million from December 31, 2010 to December 31, 2011 and decreased \$6.4 million from December 31, 2009 to December 31, 2010.

Significant financial indicators are as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating income (in millions)	\$ 23.3	\$ 15.6	\$ 7.6
Current ratio	1.7	1.6	1.2
Quick ratio	1.6	1.5	1.1
Days cash on hand	89.9	79.0	79.0

Analysis of Financial Position

In this section, WCHCC management provides our analysis of December 31, 2011 financial amounts, compared to December 31, 2010, and, where appropriate, December 31, 2010 financial amounts, compared to December 31, 2009.

Assets and Liabilities

Cash and Cash Equivalents

The cash position increased \$33.3 million at December 31, 2011 compared to December 31, 2010 and increased \$4.5 million at December 31, 2010 compared to December 31, 2009, due to increased net patient service revenue from increased reimbursement and cash provided by operations.

Patient Accounts Receivable, Net

Patient accounts receivable reflected days outstanding of 48.2, 47.3, and 42.2 at December 31, 2011, 2010, and 2009, respectively. The increase in days outstanding at December 31, 2011 compared to December 31, 2010 and at December 31, 2010 compared to December 31, 2009 is the result of a slowdown in payments received from certain governmental payors, managed care payors and commercial payors and increased accounts receivable related to the expansion of the Westchester Medical Center Advanced Physician Services P.C. (WMC Advanced Physician Services).

Investments

Investments remained relatively consistent from December 31, 2010 to December 31, 2011 and decreased \$0.7 million from December 31, 2009 to December 31, 2010 due to the liquidation of corporate bonds to cash and cash equivalents.

Other Current Assets

Other current assets increased \$3.4 from December 31, 2010 to December 31, 2011 primarily due to the increase in receivables for reinsurance claims and an increase in inventory balances, and decreased \$5.3 million from December 31, 2009 to December 31, 2010 primarily due to the reduction in receivables from the County and reinsurance claims.

Assets Restricted as to Use

Assets restricted as to use increased \$32.6 million from December 31, 2010 to December 31, 2011 primarily due the increase in construction funds available under bond indentures of \$45.1 million and an

Westchester County Health Care Corporation
Management's Discussion and Analysis (Unaudited)
December 31, 2011 and 2010

increase in debt service reserve funds required under bond indentures of \$2.7 million as a result of the bond financing transaction which occurred in December 2011. This was partially offset by the decrease in construction funds from the 2010 bond financing of \$8.4 million and a decrease in the debt service reserve funds required under bond indenture for the 2000 bond series of \$5.0 million.

Assets restricted as to use increased \$30.5 million from December 31, 2009 to December 31, 2010 due to an increase in debt service reserve funds required under bond indentures of \$12.7 million and the increase in construction funds available under bond indentures of \$16.7 million as a result of the bond financing transaction which occurred in December 2010.

Capital Assets

WCHCC's capital additions, consisting of various capital projects and medical equipment purchases, in 2011 were \$47.1 million offset by depreciation expense of \$42.0 million. WCHCC's capital additions in 2010 were \$56.4 million offset by depreciation expense of \$39.6 million.

Capital assets increased \$5.1 million from December 31, 2010 to December 31, 2011 and \$16.8 million from December 31, 2009 to December 31, 2010 due to increased capital expenditures during 2011 and 2010, respectively.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses decreased \$3.7 million from December 31, 2010 to December 31, 2011 due to re-negotiated supply contracts resulting in cost savings in 2011.

Accounts payable and accrued expenses increased \$12.7 million from December 31, 2009 to December 31, 2010 due to an increase in vendor payables as a result of the significant increase in capital expenditures during 2010.

Accrued Salaries and Related Withholdings

Accrued salaries and related withholdings increased \$15.4 million from December 31, 2010 to December 31, 2011 and increased \$6.3 million from December 31, 2009 to December 31, 2010 reflecting additional accruals due to the timing of the year end payroll and an increase in the required pension contribution to the New York State and Local Retirement System (NYSLRS) on February 1, 2012 and February 1, 2011, respectively, as a result of increased contribution rates.

Other Current Liabilities

Other current liabilities increased \$5.9 million from December 31, 2010 to December 31, 2011 primarily due to increases in current portions of third-party payors, post retirement health and self-insurance liabilities, and other current liabilities relating to bond premiums, and decreased \$21.4 million from December 31, 2009 to December 31, 2010 primarily reflecting decreases in the current portion of third-party payors liabilities.

Long-Term Debt

Long-term debt increased \$58.1 million from December 31, 2010 to December 31, 2011 primarily due to a \$64.3 million bond offering in December 2011, the proceeds of which are being utilized to fund certain capital projects, and the remarketing of the 2000A bond series which resulted in a decreased bond payable of \$5.1 million.

Westchester County Health Care Corporation
Management's Discussion and Analysis (Unaudited)
December 31, 2011 and 2010

Long-term debt increased \$140.7 million from December 31, 2009 to December 31, 2010 primarily due to a \$283.4 million bond offering in December 2010, the proceeds of which were utilized to refund \$113.2 million of 2000 and 2002 Series Bonds, the loan for \$30 million and to fund future capital projects.

Other Long-Term Liabilities

Other long-term liabilities increased approximately \$1.9 million from December 31, 2010 to December 31, 2011 primarily due to an increase of \$10.0 million for post retirement health insurance liability partially offset by decreases of \$2.4 million for insurance and reductions in third party payor liabilities of \$5.7 million.

Other long-term liabilities decreased approximately \$15.5 million from December 31, 2009 to December 31, 2010 primarily due to decreases of \$0.3 million for insurance and reductions in third party payor liabilities of \$18.0 million, partially offset by an increase of \$2.8 million for post retirement health insurance liability.

Statements of Revenues, Expenses, and Changes in Net Assets (Deficit)

Net Patient Service Revenue

Net patient service revenue increased \$54.8 million from 2010 to 2011. The increases included increased inpatient and outpatient payment rates of \$60.6 million and \$11.7 million of physician revenue, partially offset by reductions in patient volume of \$16.2 million and commercial case mix decreases of \$1.3 million.

Net patient service revenue increased \$27.6 million from 2009 to 2010. The increases included increased inpatient and outpatient payment rates of \$37.6 million and \$14.1 million of physician revenue, partially offset by reductions in patient volume of \$15.1 million; commercial case mix decreases of \$3.0 million; the reduction of \$1.8 million of skilled nursing revenue due to the closing during 2009 of the Taylor Care Center nursing home and a reduction of \$4.2 million due to the termination of the Westchester County corrections contract during 2010.

Other Revenue

Other revenue decreased \$3.2 million from 2010 to 2011 and increased \$5.3 million from 2009 to 2010 as the result of various nonrecurring revenues during 2010.

Salaries and Benefits

Salaries and benefits increased \$48.5 million from 2010 to 2011. The increase consists of \$24.5 million in salary expense that reflects contractual increases, an increase in agency usage to fill vacant positions and additional doctors and staff due to the expansion in practice groups, primarily cardiology, for WMC Advanced Physician Services. In addition, benefit costs increased by \$24.0 million as the result of increases in NYSLRS contributions due to the increase in contribution rates, and increases in health insurance and post retirement health insurance benefits.

Salaries and benefits increased \$21.3 million from 2009 to 2010. The increase consists of \$19.4 million in salary expense that reflects increases in average full time equivalents (FTEs) to fill vacant and agency positions and contractual increases. In addition, benefit costs increased by \$1.9 million as the result of increases in FICA, Worker's Compensation and NYSLRS contributions due to the increase in FTEs and contribution rates, partially offset by a decrease in post retirement health insurance expense.

Westchester County Health Care Corporation
Management's Discussion and Analysis (Unaudited)
December 31, 2011 and 2010

Supplies and Other Expenses

Supplies and other expenses decreased approximately \$5.4 million from 2010 to 2011 primarily due to:

- Decrease in medical/surgical supplies costs of \$11.6 million due to a focused effort in reducing supply costs.
- Increase in collection agency fees of \$3.4 million as a result of increased net patient service revenue that is out of network.
- Increase in assessments of \$1.9 million as a result of increased net patient service revenue.
- Increase in other expenses of \$0.9 million.

Supplies and other expenses decreased approximately \$7.2 million from 2009 to 2010 primarily due to:

- Decreases in payment to New York Medical College of \$5.4 million related to a decrease in services provided.
- Decrease in medical/surgical supplies costs of \$5.1 million due to a focused effort in reducing supply costs.
- Decrease in County services of \$4.6 million.
- Decrease in contractual services of \$2.2 million due to cost savings on renewed contracts.
- Increase in technical services of \$4.2 million due to an increase in physician agreements during 2010.
- Increase in equipment service and repairs of \$2.6 million for medical equipment.
- Increase in other expenses of \$3.3 million.

Professional Liability

Professional liability insurance costs decreased \$1.8 million from 2010 to 2011 due to a reduction in excess malpractice insurance premium and increased \$6.6 million from 2009 to 2010 due to an insurance refund received in 2009 which reduced 2009 cost.

Depreciation and Amortization Expense

Depreciation and amortization expense increased \$2.6 million from 2010 to 2011 and \$4.1 million from 2009 to 2010 due a significant increase in capital additions in 2011 and 2010.

Nonoperating Activities, Net

Nonoperating activities, net decreased \$9.1 million from 2010 to 2011 primarily due to increased interest expense as a result of the 2010 bond offering.

Nonoperating activities, net decreased \$9.2 million from 2009 to 2010 primarily due to County services of \$9.7 million.

Westchester County Health Care Corporation
Management's Discussion and Analysis (Unaudited)
December 31, 2011 and 2010

Net Assets (Deficit)

As shown in the Balance Sheets, WCHCC's net assets (deficit) have the following components:

- Restricted
- Unrestricted

Restricted

Decreased \$1.2 million from December 31, 2010 to December 31, 2011 and decreased \$1.3 million from December 31, 2009 to December 31, 2010 primarily due to assets released from restriction for capital and programmatic purchases.

Unrestricted

Unrestricted net deficit decreased by \$6.1 million, to \$10.2 million at December 31, 2011 from \$16.3 million at December 31, 2010. Unrestricted net deficit decreased primarily due to an operating income of \$23.3 million and a decrease in restricted net assets of \$1.2 million, partially offset by nonoperating activities, net of \$18.3.

Unrestricted net deficit decreased by \$7.7 million, to \$16.3 million at December 31, 2010 from \$24.0 million at December 31, 2009. Unrestricted net deficit decreased primarily due to an operating income of \$15.6 million and a decrease in restricted net assets of \$1.3 million, partially offset by nonoperating activities, net of \$9.2.

Capital Assets and Long-Term Debt Activity

Capital Assets

At December 31, 2011, WCHCC had capital assets, net of accumulated depreciation, of \$307.2 million, compared to \$302.1 million at December 31, 2010 and \$285.3 million at December 31, 2009. Major categories of capital assets are set forth in the table below:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Land and land improvements	\$ 1,532,959	\$ 1,698,312	\$ 1,721,464
Buildings and building improvements	195,412,944	197,525,826	195,275,146
Equipment	100,241,959	90,928,731	82,541,361
Construction in progress	10,054,778	11,956,532	5,753,682
	<u>\$ 307,242,640</u>	<u>\$ 302,109,401</u>	<u>\$ 285,291,653</u>

WCHCC's capital additions in 2011 were \$47.1 million, consisting of various capital projects and medical equipment purchases, offset by depreciation expense of \$42.0 million. WCHCC's capital additions in 2010 were \$56.4 million, consisting of various capital projects and medical equipment purchases, offset by depreciation expense of \$39.6 million.

More detailed information about WCHCC's capital assets is presented in Note 5 to the financial statements.

Westchester County Health Care Corporation
Management's Discussion and Analysis (Unaudited)
December 31, 2011 and 2010

Long-Term Debt

At December 31, 2011, WCHCC had \$465.4 million in total long-term debt outstanding, as shown with comparative amounts at December 31, 2010 and December 31, 2009:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
2000 Series Bonds	\$ 108,170,000	\$ 113,240,000	\$ 223,060,000
2002 Series Bonds	-	-	3,375,000
2010 Series Bonds	275,395,000	283,390,000	-
2011 Series Bonds	64,280,000	-	-
Loan Agreement	-	-	30,000,000
Capital Leases	17,543,539	6,831,444	5,467,016
	<u>\$ 465,388,539</u>	<u>\$ 403,461,444</u>	<u>\$ 261,902,016</u>

Long-term debt increased \$61.9 million from December 31, 2010 to December 31, 2011 due to a new bond offering and new capital leases partially offset by the remarketing of the 2000 bonds and bond and capital lease payments, and increased \$141.6 million from December 31, 2009 to December 31, 2010 due to a new bond offering and new capital leases partially offset by the defeasance of certain bonds and repayment of the loan.

More detailed information about WCHCC's long-term debt is presented in note 6 to the financial statements.

Contacting WCHCC's Financial Management

This financial report provides a general overview of WCHCC's finances and operations. If you have questions about this report or need additional financial information, please contact Gary Brudnicki, Senior Executive Vice President, Westchester County Health Care Corporation, Executive Offices, Valhalla, NY 10595.

Westchester County Health Care Corporation
Balance Sheets
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 201,143,888	\$ 167,794,537
Patient accounts receivable, net	113,507,034	104,226,191
Investments	587,296	580,921
Assets restricted as to use, required for current liabilities	22,471,706	22,348,132
Other current assets	<u>27,022,933</u>	<u>23,635,676</u>
Total current assets	364,732,857	318,585,457
Assets restricted as to use, net	161,165,636	128,662,294
Capital assets, net	307,242,640	302,109,401
Other assets, net	<u>21,230,645</u>	<u>18,600,453</u>
Total assets	<u>\$ 854,371,778</u>	<u>\$ 767,957,605</u>
Liabilities and Net Assets (Deficit)		
Current liabilities:		
Current portion of long-term debt	\$ 14,153,135	\$ 10,301,861
Accounts payable and accrued expenses	72,325,342	76,032,585
Accrued salaries and related withholdings	76,768,811	61,326,264
Current portion of estimated liability to third-party payors	14,247,665	12,328,614
Current portion of post retirement health insurance liability	9,586,000	8,435,000
Current portion of estimated self-insurance liability	21,805,000	20,775,000
Other current liabilities	<u>12,368,519</u>	<u>10,584,416</u>
Total current liabilities	221,254,472	199,783,740
Long-term debt, net	451,235,404	393,159,583
Estimated liability to third-party payors, net	40,350,812	46,082,882
Estimated post retirement health insurance liability, net	56,382,000	46,378,036
Estimated self-insurance liability, net	<u>90,716,805</u>	<u>93,072,630</u>
Total liabilities	<u>859,939,493</u>	<u>778,476,871</u>
Commitments and contingencies		
Net assets (deficit):		
Restricted		
Expendable for capital acquisitions	1,455,792	1,447,150
Expendable for specific operating activities	<u>3,128,856</u>	<u>4,306,755</u>
Total restricted	<u>4,584,648</u>	<u>5,753,905</u>
Unrestricted		
Invested in capital assets, net of related debt	15,703,425	26,436,999
Unrestricted	<u>(25,855,788)</u>	<u>(42,710,170)</u>
Total unrestricted	<u>(10,152,363)</u>	<u>(16,273,171)</u>
Total net assets (deficit)	<u>(5,567,715)</u>	<u>(10,519,266)</u>
Total liabilities and net assets (deficit)	<u>\$ 854,371,778</u>	<u>\$ 767,957,605</u>

The accompanying notes are an integral part of these financial statements.

Westchester County Health Care Corporation
Statements of Revenues, Expenses, and Changes in Net Assets (Deficit)
Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating revenues		
Net patient service revenue (net of provision for bad debts of \$75,466,804 and \$49,476,099 in 2011 and 2010, respectively)	\$ 859,728,521	\$ 804,909,784
Other revenue	22,356,401	25,594,439
Total operating revenues	<u>882,084,922</u>	<u>830,504,223</u>
Operating expenses		
Salaries and benefits	502,347,639	453,867,889
Supplies and other expenses	290,807,910	296,181,642
Professional liability	23,105,934	24,892,385
Depreciation and amortization	42,551,994	39,919,753
Total operating expenses	<u>858,813,477</u>	<u>814,861,669</u>
Operating income	23,271,445	15,642,554
Nonoperating activities		
Interest income	3,868,103	3,165,507
Interest expense	<u>(22,187,997)</u>	<u>(12,392,366)</u>
Increase in net assets (deficit)	4,951,551	6,415,695
Net assets (deficit)		
Beginning of year	<u>(10,519,266)</u>	<u>(16,934,961)</u>
End of year	<u>\$ (5,567,715)</u>	<u>\$ (10,519,266)</u>

The accompanying notes are an integral part of these financial statements.

Westchester County Health Care Corporation
Statements of Cash Flows
Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Cash received from patients and third-party payors	\$ 846,634,659	\$ 760,860,536
Other receipts	18,113,091	31,229,577
Cash paid to employees for salaries and benefits	(475,750,128)	(442,278,413)
Cash paid for supplies and other expenses	(323,680,460)	(327,597,398)
Net cash provided by operating activities	<u>65,317,162</u>	<u>22,214,302</u>
Cash flows from noncapital financing activities		
Proceeds from contributions restricted for specific operating activities	<u>3,288,635</u>	<u>4,816,464</u>
Net cash provided by noncapital financing activities	<u>3,288,635</u>	<u>4,816,464</u>
Cash flows from capital and related financing activities		
Purchase of capital assets	(40,556,414)	(49,488,983)
Proceeds from issuance of long-term debt	186,662,995	286,500,640
Repayments of principal on long-term debt	(124,735,900)	(144,941,212)
Repayments of notes payable	-	(63,000,000)
Payments of long-term debt deferred financing costs	(2,344,132)	(7,713,756)
Interest paid	<u>(22,229,172)</u>	<u>(12,518,109)</u>
Net cash (used in) provided by capital and related financing activities	<u>(3,202,623)</u>	<u>8,838,580</u>
Cash flows from investing activities		
Purchase of assets restricted as to use	(74,263,611)	(73,604,519)
Sales of assets restricted as to use	38,348,060	38,331,617
Purchases of investments	(6,375)	-
Sale of investments	-	739,404
Interest received	<u>3,868,103</u>	<u>3,165,507</u>
Net cash used in investing activities	<u>(32,053,823)</u>	<u>(31,367,991)</u>
Net increase in cash and cash equivalents	33,349,351	4,501,355
Cash and cash equivalents		
Beginning of year	<u>167,794,537</u>	<u>163,293,182</u>
End of year	<u>\$ 201,143,888</u>	<u>\$ 167,794,537</u>
Supplemental disclosure of cash flow information		
Amounts accrued for purchase of capital assets	<u>\$ 6,558,826</u>	<u>\$ 6,922,403</u>
Assets acquired under capital leases	<u>\$ 14,212,995</u>	<u>\$ 3,110,640</u>

The accompanying notes are an integral part of these financial statements.

Westchester County Health Care Corporation
Statements of Cash Flows (continued)
Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 23,271,445	\$ 15,642,554
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	42,551,994	39,919,753
Provision for bad debts, net	75,466,804	49,476,099
Changes in assets and liabilities		
Patient accounts receivable	(84,747,647)	(63,776,841)
Other assets	(4,243,310)	5,635,138
Accounts payable and accrued expenses	(10,266,069)	5,751,524
Accrued salaries and related withholdings	15,442,547	6,346,323
Estimated liabilities to third-party payors, net	(3,813,019)	(29,748,506)
Estimated post-retirement health insurance liability	11,154,964	5,243,153
Estimated self-insurance liability	(1,325,825)	(70,471)
Other current liabilities	1,825,278	(12,204,424)
Net cash provided by operating activities	<u>\$ 65,317,162</u>	<u>\$ 22,214,302</u>

The accompanying notes are an integral part of these financial statements.

Westchester County Health Care Corporation

Notes to Financial Statements

December 31, 2011 and 2010

1. Organization

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) 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.

The accompanying financial statements include WCHCC and its component units, entities for which WCHCC is considered to be financially accountable. WCHCC has the following blended component units, all of which, except for Westchester Medical Center Advanced Physician Services, P.C., WCHCC holds 100% of the stock interest or is the sole voting member:

- The Westchester Medical Center Foundation, Inc. (WMC Foundation) and The Children's Hospital Foundation at WMC, Inc. (Children's Hospital Foundation) are not-for-profit foundations formed under the New York Not-For-Profit Corporation Law exclusively for charitable, scientific, and educational purposes within the meaning of Section 170(c)(2)(B) and 501(c)(3) of the Internal Revenue Code (the Code), for the purposes of supporting, maintaining, and otherwise benefiting and being responsive to the needs and objectives of WCHCC.

WCHCC is the sole voting member of the Children's Hospital Foundation. The Children's Hospital Foundation was formed in March 1997. The primary focus of the Children's Hospital Foundation to date has been the fund-raising campaign relating to the construction and operation of the Maria Fareri Children's Hospital and Trauma Center. The financial position and operating results of the Children's Hospital Foundation have been recorded in the accompanying financial statements of WCHCC as a blended component unit.

WCHCC is the sole voting member of the WMC Foundation, which was formed in July 1999. The primary focus of WMC Foundation is to support, maintain, and otherwise benefit and be responsive to the needs and the objectives of the Medical Center. The financial position and operating results of the WMC Foundation have been recorded in the accompanying financial statements of WCHCC as a blended component unit.

- WMC New York Inc. (WMC New York) is a not-for-profit entity formed in August 1999 under the New York Not-For-Profit Corporation Law. WCHCC is the sole voting member of WMC New York. WMC New York adopted bylaws on December 1, 1999 governing its operations. Effective August 1, 2008, WMC New York became a centralized management company for the two foundations, which includes the employment of the Children's Hospital Foundation and the WMC Foundation employees. In addition, WMC New York is the holder of 100% of the membership shares in WCHCC (Bermuda), Limited (WCHCC Bermuda), a Bermuda company formed to serve as an off-shore captive insurance company for WCHCC pursuant to Bermuda law, the operations of which have been reported in the accompanying financial statements as a blended component unit.

Westchester County Health Care Corporation

Notes to Financial Statements

December 31, 2011 and 2010

- On March 11, 2009, Westchester Medical Center Advanced Physician Services, P.C. (WMC Advanced Physician Services) was organized and incorporated under the New York Business Corporation Law as a for-profit professional corporation controlled by WCHCC through its power to appoint the sole shareholder. The primary focus of WMC Advanced Physician Services is to employ physicians engaged in the profession of medicine. The financial position and operating results of WMC Advanced Physician Services have been recorded in the accompanying financial statements of WCHCC as a blended component unit.

All significant inter-entity accounts and transactions have been eliminated.

2. Significant Accounting Policies

Basis of Presentation

WCHCC is considered a special-purpose government entity engaged only in business-type activities. The financial statements are prepared utilizing the economic resources measurement focus and accrual basis of accounting, whereby revenue and expenses are recognized when earned and incurred, respectively.

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as operating revenues and operating expenses. All other activities are reported as nonoperating activities.

WCHCC's financial statements are prepared on the accrual basis of accounting using the economic resources measurement focus and are based on accounting principles applicable to governmental units as established by the Governmental Accounting Standards Board (GASB) and the provisions of the American Institute of Certified Public Accountants "*Audit and Accounting Guide, Health Care Entities*," to the extent that they do not conflict with GASB. In December 2010, the GASB issued the "*Codification of Accounting and financial reporting Guidance contained in Pre-November 1989 FASB and AICPA Pronouncements*," which directly incorporates into GASB's authoritative literature certain pronouncements issued by FASB and its predecessors on or before November 30, 1989 to the extent that they do not conflict with or contradict GASB pronouncements. In that manner, this statement eliminates the need for financial statement preparers to determine which FASB and AICPA pronouncement provisions apply to state and local governments. The guidance in this statement is required for financial statements for periods beginning after December 15, 2011; however, GASB encourages early implementation. WCHCC has elected early implementation of this guidance for the year ended December 31, 2011 and determined that all applicable accounting provisions have already been applied to WCHCC's financial statements.

Westchester County Health Care Corporation

Notes to Financial Statements

December 31, 2011 and 2010

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. 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 of third party payor liabilities, postretirement health insurance liabilities and malpractice insurance liabilities for the year ended December 31, 2011 resulted in an increase in operating income of \$17.1 million. Revisions to previously recorded estimates of third party payor liabilities and postretirement health insurance liabilities for the year ended December 31, 2010 resulted in an increase in operating income of \$35.5 million.

Patient Accounts Receivable and Net Patient Service Revenue

Accounts receivable from patients and third-party payors at December 31, 2011 and 2010, respectively, was composed of Medicare, 16% and 13%; Medicaid, 22% and 18%; and commercial insurance and health maintenance organizations, 54% and 48%, respectively. Patient accounts receivable are recorded net of allowances for estimated uncollectible accounts of \$84.6 million and \$49.5 million at December 31, 2011 and 2010, respectively. Most of WCHCC's net patient service revenues are derived from third-party payment programs, including Medicare and Medicaid.

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 evaluates its allowance for uncollectible accounts periodically. Past due balances are evaluated 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. Net patient service revenue 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.

Westchester County Health Care Corporation
Notes to Financial Statements
December 31, 2011 and 2010

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 its Medicare fiscal intermediary through December 31, 2003.

Assets Restricted as to Use

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 asset 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.

Grants and Contributions

From time to time, WCHCC receives grants from the local, state and federal government as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as other revenue. At December 31, 2011 and 2010, net contribution and grants receivables of approximately \$2,032,000 and \$2,413,000, respectively, are included in the accompanying Balance Sheets.

Cash and Cash Equivalents and Investments

WCHCC's cash, cash equivalents, and investment policies are governed by state statutes. Monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Certain funds deposited with banking institutions exceed FDIC limits, however, WCHCC has a collateralization agreement with its depository institutions which management believes reduces the risks related to these balances to a minimal level. WCHCC's cash balances are collateralized under a third party custodian agreement.

At December 31, 2011 and 2010, cash and cash equivalents consist of cash, repurchase agreements and all highly liquid instruments with maturities of three months or less at the date of purchase. 95% and 53% of cash and cash equivalents resides with a significant financial institution at December 31, 2011 and 2010, respectively. Investments consist of certificates of deposit and mutual funds. The certificates of deposit have a remaining maturity at time of purchase of one year or less and are reported at face value which approximates fair value due to the short term maturity of the investments. These certificates of deposit have a value of \$1,174,592 and \$1,161,842 at December 31, 2011 and 2010, respectively. Mutual funds are recorded at fair value and have a value of \$674 and \$3,582 at December 31, 2011 and 2010, respectively.

Westchester County Health Care Corporation

Notes to Financial Statements

December 31, 2011 and 2010

Inventories

Inventories, included in other current assets, are carried at the lower of cost, principally on a first-in, first-out (FIFO) basis, or market.

Capital Assets

In connection with the establishment of the public benefit corporation in 1997, WCHCC recorded buildings, fixed equipment, and land received from the County at book value. Capital assets acquired subsequent to the establishment of the public benefit corporation are recorded at cost. Assets with a purchase price of \$1,000 or more are capitalized and assets with a purchase price of less than \$1,000 are expensed.

Gifts of long-lived assets such as land, buildings, and equipment are recorded at fair value at the date of the contribution as unrestricted support and are excluded from operating income, unless explicit donor stipulations specify how the donated assets must be used.

Depreciation is recorded using the straight-line method over the estimated useful life of each class of depreciable assets. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of construction.

Net Assets (Deficit)

Unrestricted net assets (deficit) has no external restrictions as to use or purpose and is distinguished from net assets restricted externally for specific purposes. Restricted net assets relate primarily to Federal and state grants for research and community programs and restricted contributions received from donors by the Children's Hospital Foundation and the WMC Foundation. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, and trustee held assets for capital projects reduced by the outstanding balances of debt attributable to those assets.

Concentrations of Credit Risk

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.

Charity Care

WCHCC provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because WCHCC does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenue.

WCHCC maintains records identifying and monitoring the level of charity care it provides. WCHCC estimates the cost of charity care, by applying a ratio of overall costs to gross charges applied to the gross charity care charges during the year ended December 31, 2011, at approximately \$43,255,000, of which approximately \$14,712,000 is the cost of charity care, and for the year ended December 31, 2010, at approximately \$39,150,000, of which approximately \$12,719,000 is the cost of charity care.

Westchester County Health Care Corporation

Notes to Financial Statements

December 31, 2011 and 2010

Taxation

WCHCC is a public benefit corporation of the State of New York and is exempt from Federal income taxes under Section 115 of the Code. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

WCHCC's component units are exempt from income tax under Section 501(c)(3) of the Code, except WMC Advanced Physician Services. Income taxes of WCHCC's for-profit blended component units are not material to the financial statements.

Compensated Absences

WCHCC employees earn vacation days at varying rates depending on years of service and union affiliation. Vacation days accumulate and are payable upon separation. Employees also earn sick leave benefits based upon varying rates depending upon years of service and union affiliation. Employees are not paid for accumulated sick leave if they leave before retirement. However, employees who retire from WCHCC may convert accumulated sick leave to termination payments at varying rates, depending on the employee's union contract. The estimated amount of vacation and sick leave payable as termination payments or upon retirement is recorded as part of accrued salaries and related benefits in the accompanying Balance Sheets in 2011 and 2010.

Impairment of Long-Lived Assets

Long-lived assets and certain identifiable intangibles are reviewed for impairment if circumstances suggest that there is a significant, unexpected decline in the service utility of a long-lived asset. The service utility of a long-lived asset is the usable capacity that at acquisition was expected to be used to provide service. An assessment of recoverability is performed prior to any write-down of assets and an impairment charge is recorded on those assets for which the estimated fair value is below its carrying amount. No material impairment charges to long-lived assets were recorded for the fiscal years ended December 31, 2011 and 2010.

Costs of Borrowing

Deferred financing fees, included as other long-term assets, of approximately \$19,916,000 and \$17,752,000 as of December 31, 2011 and 2010, respectively, are being amortized over the period the related obligation is outstanding using the interest method. These costs include legal, financing, and placement fees associated with the issuance of long-term debt. Accumulated amortization as of December 31, 2011 and 2010 was approximately \$4,215,000 and \$3,616,000, respectively.

Fair Value of Financial Instruments

WCHCC's assets restricted as to use consist primarily of cash and cash equivalents, United States Treasury Obligations and United States Government Agency Securities, which are stated at fair value in the Balance Sheets. The carrying amounts reported in the Balance Sheets for cash and cash equivalents, patient accounts receivable, investments, accounts payable and accrued expenses, and estimated payables and receivables due to and from third-party payors approximate their fair value. The carrying amounts and fair value of WCHCC's bonds approximate \$447,845,000 and \$479,475,000, respectively, at December 31, 2011 and \$396,630,000 and \$393,028,000, respectively, at December 31, 2010.

Westchester County Health Care Corporation
Notes to Financial Statements
December 31, 2011 and 2010

Recently Adopted Accounting Pronouncements

In August 2010, the FASB issued Accounting Standards Update (ASU) 2010-23, "*Health Care Entities (Topic): Measuring Charity Care for Disclosure*", which requires healthcare organizations use costs as the measurement basis for charity care disclosures and that they identify those costs as the direct and indirect costs of providing the charity care. This ASU also requires disclosure of the method used to identify the costs. The ASU was effective for fiscal years beginning after December 15, 2010, retrospective application was required and early adoption was permitted. Since this ASU relates to disclosures, the adoption of this ASU did not have any impact on WCHCC's financial position, the results of its operations, the changes in its net assets (deficit), or its cash flows. All disclosures required by this ASU have been included in these financial statements in order to have WCHCC's financial statements be consistent with other healthcare organizations.

Pending Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, "*The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and 34*". This statement modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. This statement also clarifies the reporting of equity interests in legally separate organizations. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged. WCHCC is in the process of evaluating the impact this statement will have on its financial position, the results of its operations, the changes in its net assets and its cash flows.

Westchester County Health Care Corporation
Notes to Financial Statements
December 31, 2011 and 2010

3. Deposits and Investments

Deposits and investments consist of the following at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Description		
Bank deposits	\$ 264,186,172	\$ 181,336,618
Certificates of deposit	1,174,592	1,161,842
Mutual funds	674	3,582
US Treasury securities	79,910,944	91,327,647
Corporate bonds	37,705,225	45,730,166
	<u>\$ 382,977,607</u>	<u>\$ 319,559,855</u>
Description on Balance Sheet		
Cash and cash equivalents	\$ 201,143,888	\$ 167,794,537
Investments	587,296	580,921
Assets limited as to use - current portion	21,387,525	21,191,506
Assets limited as to use - noncurrent portion	159,858,898	129,992,891
	<u>\$ 382,977,607</u>	<u>\$ 319,559,855</u>
Investment Maturities		
One year or less	\$ 24,243,589	\$ 53,010,807
After one through five years	93,372,580	84,047,006
	<u>\$ 117,616,169</u>	<u>\$ 137,057,813</u>

Estimated fair values have been determined by WCHCC using appropriate valuation methodologies by third parties, quoted market prices, and information available to management as of December 31, 2011 and 2010.

Interest Rate Risk - WCHCC invests in fixed-rate debt and US Treasury securities with approximately one- to five year maturities. Interest rate risk is limited by the short-term nature of these investments.

Credit Risk - WCHCC investments in U.S. Treasury securities carry the explicit guarantee of the U.S. government. The corporate bonds are rated A- to AA+ and the U.S. Treasury securities are rated AA+ by the Standards & Poor's rating agency.

Westchester County Health Care Corporation
Notes to Financial Statements
December 31, 2011 and 2010

4. Assets Restricted as to Use

Assets restricted as to use consist of the following at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Restricted		
The Westchester Medical Center Foundation, Inc.	\$ 1,444,742	\$ 1,443,998
The Children's Hospital Foundation at WMC, Inc.	<u>4,576,044</u>	<u>5,746,981</u>
	<u>6,020,786</u>	<u>7,190,979</u>
Under debt agreements		
Debt service reserve funds	31,787,105	33,700,987
Construction funds	53,412,157	16,709,050
Other	<u>1,135,932</u>	<u>817,720</u>
	<u>86,335,194</u>	<u>51,227,757</u>
Self-insurance funds		
Offshore insurance captive	<u>91,281,362</u>	<u>92,591,690</u>
	183,637,342	151,010,426
Less portion required for current liabilities	<u>22,471,706</u>	<u>22,348,132</u>
Assets restricted as to use, net of current portion	<u>\$ 161,165,636</u>	<u>\$ 128,662,294</u>

WCHCC's assets restricted as to use are reported at fair value, as described in Note 2 and Note 3. At December 31, 2011 and 2010, the composition of assets restricted as to use consisted of the following:

	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 63,630,254	\$ 14,126,584
US Treasury securities	79,910,944	90,014,421
Corporate bonds	37,705,225	45,730,166
Other	<u>2,390,919</u>	<u>1,139,255</u>
	<u>\$ 183,637,342</u>	<u>\$ 151,010,426</u>

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.

Westchester County Health Care Corporation
Notes to Financial Statements
December 31, 2011 and 2010

5. Capital Assets

Capital assets are summarized as follows at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>	<u>Estimated Useful lives</u>
Land and land improvements	\$ 8,500,484	\$ 8,439,218	10 years
Buildings and building improvements	400,022,001	386,490,983	5-40 years
Equipment	<u>368,871,525</u>	<u>333,446,815</u>	5-20 years
	777,394,010	728,377,016	
Less accumulated depreciation and amortization	<u>480,206,148</u>	<u>438,224,147</u>	
	297,187,862	290,152,869	
Construction in progress	<u>10,054,778</u>	<u>11,956,532</u>	
Capital assets, net	<u>\$ 307,242,640</u>	<u>\$ 302,109,401</u>	

Included in land and land improvements is approximately \$313,000 in land that is not depreciated as of December 31, 2011 and 2010. Construction in progress relates to various capital projects. The additional costs to complete such projects are anticipated to aggregate approximately \$15,526,000 as of December 31, 2011.

Included in capital assets is capitalized interest, net of accumulated amortization, of approximately \$14,357,000 and \$14,895,000 as of December 31, 2011 and 2010, respectively. The book value of capital leases held under lease obligations is approximately \$17,544,000 and \$6,831,000 as of December 31, 2011 and 2010, respectively.

Capital asset activity for the years ended December 31, 2011 and 2010 was as follows:

	<u>Land and land improvements</u>	<u>Buildings and building improvements</u>	<u>Equipment</u>	<u>Construction in progress</u>	<u>Total</u>
December 31, 2009 balance	\$ 8,238,652	\$ 369,611,422	\$ 300,318,406	\$ 5,753,682	\$ 683,922,162
Acquisitions, net of transfers	200,566	16,879,561	33,128,409	6,202,850	56,411,386
Retirements	-	-	-	-	-
December 31, 2010 balance	8,439,218	386,490,983	333,446,815	11,956,532	740,333,548
Acquisitions, net of transfers	61,266	13,531,018	35,424,710	(1,901,754)	47,115,240
Retirements	-	-	-	-	-
December 31, 2011 balance	<u>\$ 8,500,484</u>	<u>\$ 400,022,001</u>	<u>\$ 368,871,525</u>	<u>\$ 10,054,778</u>	<u>\$ 787,448,788</u>

Westchester County Health Care Corporation
Notes to Financial Statements
December 31, 2011 and 2010

Related information on accumulated depreciation for the years ended December 31, 2011 and 2010 was as follows:

	Land and Land Improvements	Buildings and Building Improvements	Equipment	Total
December 31, 2009 balance	\$ 6,517,188	\$ 174,336,278	\$ 217,777,043	\$ 398,630,509
Depreciation expense	223,718	14,628,879	24,741,041	39,593,638
Retirements	-	-	-	-
December 31, 2010 balance	6,740,906	188,965,157	242,518,084	438,224,147
Depreciation expense	226,619	15,643,900	26,111,482	41,982,001
Retirements	-	-	-	-
December 31, 2011 balance	\$ 6,967,525	\$ 204,609,057	\$ 268,629,566	\$ 480,206,148

6. Long-Term Debt

A summary of long-term debt is as follows at December 31, 2011 and 2010:

	2011	2010
Bonds payable		
2000 Series Bonds (a)	\$ 108,170,000	\$ 113,240,000
2010 Series Bonds (b)	275,395,000	283,390,000
2011 Series Bonds (c)	64,280,000	-
Capital leases (d)	17,543,539	6,831,444
	<u>465,388,539</u>	<u>403,461,444</u>
Less: Current installments	14,153,135	10,301,861
	<u>\$ 451,235,404</u>	<u>\$ 393,159,583</u>

Long-term debt activity as of December 31, 2011 and 2010 was as follows:

	December 31, 2010 Balance	Additions	Repayments	December 31, 2011 Balance	Amounts due Within One Year
Long-term debt					
2000 Series Bonds (a)	\$ 113,240,000	\$ 108,170,000	\$(113,240,000)	\$ 108,170,000	\$ -
2010 Series Bonds (b)	283,390,000	-	(7,995,000)	275,395,000	9,100,000
2011 Series Bonds (c)	-	64,280,000	-	64,280,000	100,000
Capital leases (d)	6,831,444	14,212,995	(3,500,900)	17,543,539	4,953,135
	<u>\$ 403,461,444</u>	<u>\$ 186,662,995</u>	<u>\$(124,735,900)</u>	<u>\$ 465,388,539</u>	<u>\$ 14,153,135</u>

Westchester County Health Care Corporation

Notes to Financial Statements

December 31, 2011 and 2010

	December 31, 2009 Balance	Additions	Repayments	December 31, 2010 Balance	Amounts due Within One Year
Long-term debt					
2000 Series Bonds (a)	\$ 223,060,000	\$ -	\$(109,820,000)	\$ 113,240,000	\$ -
2010 Series Bonds (b)	-	283,390,000	-	283,390,000	7,995,000
Capital leases (d)	5,467,016	3,110,640	(1,746,212)	6,831,444	2,306,861
2002 Series Bonds (e)	3,375,000	-	(3,375,000)	-	-
Loan agreement (f)	30,000,000	-	(30,000,000)	-	-
	<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>

- 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, were 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).

In December 2011, WCHCC participated in a bond remarketing of the Series 2000A Bonds following a call for purchase implemented pursuant to the Master Trust Indenture (MTI).

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 \$10,817,000 as of December 31, 2011 (see note 4).

Under Section 6.13(a) of the Series 2000 Bonds 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

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1.25 for the Series 2000 Bonds. For the years ended December 31, 2011 and 2010, 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 Bonds as of December 31, 2011:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ -	\$ 4,664,423	\$ 4,664,423
2013	-	5,313,900	5,313,900
2014	-	5,313,900	5,313,900
2015	-	5,313,900	5,313,900
2016	-	5,313,900	5,313,900
2017-2021	9,200,000	26,569,500	35,769,500
2022-2026	53,235,000	19,345,800	72,580,800
2027-2030	45,735,000	5,654,000	51,389,000
	<u>\$ 108,170,000</u>	<u>\$ 77,489,323</u>	<u>\$ 185,659,323</u>

Interest expense relating to the Series 2000 Revenue Bonds was approximately \$7,065,000 and \$7,904,000 in 2011 and 2010, respectively.

- b. 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, 2011:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	10,720,000	12,051,696	22,771,696
2017-2021	44,675,000	51,978,218	96,653,218
2022-2026	1,655,000	46,217,218	47,872,218
2027-2031	8,385,000	44,914,318	53,299,318
2032-2036	35,240,000	42,141,005	77,381,005
2037-2040	78,955,000	17,132,645	96,087,645
	<u>\$ 218,115,000</u>	<u>\$ 267,467,634</u>	<u>\$ 485,582,634</u>

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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 0.17% at December 31, 2011, 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, 2011:

	<u>Principal</u>
2012	\$ -
2013	5,800,000
2014	5,800,000
2015	5,800,000
2016	5,800,000
2017	34,080,000
	<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, 2011 (see note 4).

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 years ended December 31, 2011 and 2010, WCHCC met the required Long-Term Debt Service Coverage Ratio.

Interest expense relating to the Series 2010 Bonds was approximately \$13,861,000 and \$858,000 in 2011 and 2010, respectively.

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- c. In December 2011, WCHCC participated in a bond offering dated November 1, 2011 relating to \$64,280,000 Westchester County Health Care Corporation Revenue Bonds, Series 2011, Senior Lien consisting of \$48,985,000 Series 2011A (Tax-Exempt) with an interest rates varying from 2.0% to 5.32% and maturing November 1, 2012 through November 1, 2026, November 1, 2032 and November 1, 2041 and \$15,295,000 Series 2011B (Tax-Exempt) with an interest rate of 5.32% and maturing November 1, 2041.

The following is a schedule by year of future principal and interest payments on the Series 2011 Bonds as of December 31, 2011:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 100,000	\$ 2,739,660	\$ 2,839,660
2013	100,000	3,119,131	3,219,131
2014	100,000	3,117,131	3,217,131
2015	100,000	3,114,131	3,214,131
2016	100,000	3,111,131	3,211,131
2017-2021	5,325,000	15,355,331	20,680,331
2022-2026	11,975,000	13,404,056	25,379,056
2027-2031	16,085,000	10,366,969	26,451,969
2032-2036	14,645,000	6,102,100	20,747,100
2037-2041	15,750,000	2,502,281	18,252,281
	<u>\$ 64,280,000</u>	<u>\$ 62,931,921</u>	<u>\$ 127,211,921</u>

The proceeds of the Series 2011 Bonds, together with available funds, are being used to (i) finance certain capital projects at WCHCC facilities; (ii) reimburse WCHCC for prior capital expenditures; (iii) fund a portion of the debt service reserve fund accounts for the Series 2011 Bonds and (iv) pay costs related to the issuance of the aforementioned 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 2011 Bonds, including a debt service reserve fund of approximately \$2,273,000 as of December 31, 2011 (see note 4).

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 years ended December 31, 2011 and 2010, WCHCC met the required Long-Term Debt Service Coverage Ratio.

Interest expense relating to the Series 2011 Bonds was approximately \$98,000 in 2011.

- d. WCHCC has entered into certain capital lease agreements that are collateralized by the underlying equipment and bear interest at rates between 1.82% and 7.35%.

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The future minimum lease payments under the capital lease obligations, together with the present value of the minimum lease payments as of December 31, 2011, are as follows:

Year	Amount
2012	\$ 5,693,167
2013	5,302,656
2014	4,716,611
2015	2,935,896
2016	476,859
	<u>19,125,189</u>
Less: Amount representing interest	1,581,650
Present value of net minimum lease payments	<u>17,543,539</u>
Less: Current portion	4,953,135
	<u>\$ 12,590,404</u>

The interest expense under these leases was approximately \$521,000 and \$337,000 in 2011 and 2010, respectively.

- e. 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) the 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 \$0 and \$105,000 in 2011 and 2010, respectively.

- f. 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. WCHCC repaid the loan in December 2010.

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7. Retirement Plan

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. All benefits generally vest after five years of credited service.

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 who joined the System after July 27, 1976; such employees contribute 3% of their salary for the first ten years of their service, and employees who joined the System after January 1, 2010; such employees contribute 3% of their salary for all years of public 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 2010-2011 State plan year and February 1, 2010 for the 2009-2010 State plan year. Amounts are accrued in WCHCC's Balance Sheet by prorating charges incurred in WCHCC's fiscal year. The amount outstanding for current and prior year contributions as of December 31, 2011 and 2010 was approximately \$38,032,000 and \$27,681,000, respectively, and is included in accrued salaries and related withholdings in the accompanying Balance Sheets.

WCHCC's annual plan cost amounted to approximately \$40,224,000, \$27,355,000 and \$22,466,000 in 2011, 2010, and 2009, respectively, based on a percentage (which varies with length of service) of the salaries of covered employees.

The System issues a financial report that includes financial statements and required supplementary information, which may be obtained by submitting a request in writing to New York State and Local Retirement System, Retirement Communication Office, 110 State Street, Albany, NY 12244-0001.

8. Other Postemployment Benefits

WCHCC provides Other Postemployment Benefits (OPEB) that provide basic medical and hospitalization plan coverage to eligible retirees. Eligible retirees may only be covered under the 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, 70% of the participants have elected individual coverage, with the full cost borne by WCHCC.

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WCHCC's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, 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, 2011 and 2010, the amount actually contributed to the plan, and changes in WCHCC's net OPEB obligation.

	<u>2011</u>	<u>2010</u>
Annual OPEB cost:		
Annual required contribution (ARC):		
Normal cost	\$ 14,356,000	\$ 5,314,000
Amortization payment	8,699,000	9,388,000
Interest cost	922,000	735,000
Total	<u>23,977,000</u>	<u>15,437,000</u>
ARC adjustment	(5,136,000)	(3,777,000)
Interest on net OPEB obligation	2,136,000	2,408,000
Annual OPEB cost	<u>\$ 20,977,000</u>	<u>\$ 14,068,000</u>
Net OPEB obligation:		
Annual required contribution	\$ 20,977,000	\$ 14,068,000
Amortization of change in estimate	(1,401,000)	(1,401,000)
Contributions made	<u>(8,421,000)</u>	<u>(7,424,000)</u>
Increase in OPEB obligation	11,155,000	5,243,000
Net OPEB obligation - beginning of year	<u>54,813,000</u>	<u>49,570,000</u>
Net OPEB obligation - end of year	<u>\$ 65,968,000</u>	<u>\$ 54,813,000</u>
Percentage of annual OPEB:		
Cost contributed	40.14%	52.77%

Annual OPEB cost, contributions made and percentage of costs contributed for the year ended December 31, 2009 were \$18,645,000, \$6,917,000 and 37.10%, respectively.

As of January 1, 2011 and 2010, the plan was unfunded. The unfunded actuarial accrued liability (UAAL) as of December 31, 2011 and 2010 is \$328.8 million and \$254.1 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, 2011 and 2010 is \$318.0 million and 138.2% and \$243.3 million and 97.7%, 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.

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Projection 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 2011 and 2010 actuarial valuation, the frozen entry age actuarial cost method was used. For 2011, the actuarial assumptions include a 4% discount rate, and an annual initial health trend rate of 8.4% for pre-65 and 4.0% for post-65, grading over ten years to an ultimate rate of 3.8% for pre-65 and 3.4% for post-65. For 2010, the actuarial assumptions include a 5% discount rate, and an annual initial health 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.

9. Self-Insurance Liability

The following is the activity of the self-insurance liability for the years ended December 31, 2011 and 2010:

	December 31, 2010 Balance	Additions	Reductions	December 31, 2011 Balance	Amounts Due Within One Year
Workers' compensation self-insurance (a)	\$ 19,114,210	\$ 6,449,123	\$ (5,528,032)	\$ 20,035,301	\$ 4,500,000
Malpractice self-insurance (b)	94,128,420	22,477,192	(24,529,108)	92,076,504	17,000,000
Other self-insurance (c)	605,000	160,000	(355,000)	410,000	305,000
	\$ 113,847,630	\$ 29,086,315	\$ (30,412,140)	\$ 112,521,805	\$ 21,805,000

	December 31, 2009 Balance	Additions	Reductions	December 31, 2010 Balance	Amounts Due Within One Year
Workers' compensation self-insurance (a)	\$ 17,496,000	\$ 7,537,286	\$ (5,919,076)	\$ 19,114,210	\$ 4,500,000
Malpractice self-insurance (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
	\$ 113,918,101	\$ 30,123,712	\$ (30,194,183)	\$ 113,847,630	\$ 20,775,000

- 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 for claims arising out of incidents involving hospital operations that occurred prior to January 1, 1998, when WCHCC became a public benefit corporation.

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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. For the period June 1, 2003 through June 1, 2004, excess insurance coverage was purchased that attached at \$500,000 per occurrence with \$1,000,000 in annual aggregate coverage. Prior to June 1, 1999 and from June 1, 2004 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 semi-annual 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>2011</u>	<u>2010</u>
Gross self-insurance liability	\$ 20,630,000	\$ 20,481,000
Present value of self-insurance liability	20,035,301	19,114,210
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 for claims incurred subsequent to December 31, 1997. As of January 1, 2006, the HPL coverage has been provided for on an occurrence 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 through 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.

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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 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 3.5% and 4.0% at December 31, 2011 and 2010, respectively.

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, 2011 and 2010 in favor of a ceding insurance company, as collateral for WCHCC Bermuda's reinsurance obligations. The letter of credit expires on June 30, 2012. At December 31, 2011 and 2010, an additional letter of credit for the amount of \$2,380,000 was issued to provide surety on a large claim. The letter of credit was no longer necessary and subsequently cancelled on February 5, 2012. At December 31, 2011 and 2010, a similar cash amount has been pledged as collateral for these letters of credit.

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, 2011 and 2010, WCHCC Bermuda is required to maintain a minimum statutory capital and surplus of \$8,600,000 and \$8,000,000, respectively. As of December 31, 2011 and 2010, actual statutory capital and surplus was approximately \$11,938,000 and \$14,174,000, respectively.

The malpractice self-insurance liabilities for the period 1998 to 2011 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 3.5% and 4.0% at December 31, 2011 and 2010, 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 Professionals Insurance Association (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. This excess liability insurance policy attaches above the HPL and GL for the Medical Center's employed physicians and above the first layer of excess of those physicians insured by Academic Health. As of January 1, 2010, excess insurance will no longer attach above the first layer of excess of those physicians insured by Academic Health.

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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.

Beginning in 2012, HPL coverage is provided on an occurrence basis with coverage of \$12 million for each and every claim with no aggregate limit for the Medical Center and its employed physicians. The excess liability insurance 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.

10. Services and Utilities Provided by the County of Westchester

The County provides certain services and utilities to WCHCC. For the years ended December 31, 2011 and 2010, the County charged WCHCC for direct costs incurred in providing such services and utilities. The services provided to WCHCC are contracted with the Department of Public Works, the Department of Laboratories, Information Technology Department, and the County Road Maintenance Department.

Costs were comprised of the following for the years ended December 31:

	<u>2011</u>	<u>2010</u>
Department of Public Works and maintenance service	\$ 6,366,479	\$ 7,440,439
General administration services	278,304	124,136
Other professional services	833,155	911,743
	<u>\$ 7,477,938</u>	<u>\$ 8,476,318</u>

The above costs are included in supplies and other expenses in the accompanying statements of revenues, expenses, and changes in net assets (deficit).

WCHCC provided medical services to the Corrections Department of Westchester County for the period January 1, 2010 through July 26, 2010. This activity generated patient service revenues of approximately \$0 and \$7.5 million for the years ended December 31, 2011 and 2010, respectively.

Westchester County Health Care Corporation
Notes to Financial Statements
December 31, 2011 and 2010

11. Affiliation Agreement

WCHCC has an affiliation agreement with New York Medical College (the College), under the terms of which WCHCC will reimburse the College for salaries and fringe benefits for supervisory physicians' services. For the years ended December 31, 2011 and 2010, the College was reimbursed approximately \$28,765,000 and \$28,113,000, respectively, which is included in supplies and other expenses in the accompanying statements of revenues, expenses, and changes in net assets (deficit).

12. Operating Leases

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, 2011 that have initial or remaining lease terms in excess of one year:

	<u>Rent Expense</u>	<u>Rent Income</u>
2012	\$ 14,187,000	\$ 2,196,000
2013	12,249,000	2,183,000
2014	10,055,000	1,978,000
2015	8,950,000	1,253,000
2016	7,705,000	1,070,000

Total rental expense in 2011 and 2010 for all operating leases was approximately \$18,319,000, and \$17,781,000, respectively. Total rental income in 2011 and 2010 for all operating leases was approximately \$2,594,000 and \$2,540,000, respectively.

13. Transition/Cooperation Agreements

In 1997, the State adopted legislation that created WCHCC as a New York public benefit corporation effective January 1, 1998. At that time, the facilities and operations of WCHCC were transferred from the County to WCHCC pursuant to a long-term lease and operating agreement. Subsequently, a Transition Agreement and an Amended and Restated Lease Agreement (Lease) were affected.

The Lease is a 60-year real property lease for land and facilities with an option for extension. Under the Lease, Base Rent is linked to amounts that may be due for principal or interest on general obligation bonds issued by the County on WCHCC's behalf, of which there were none outstanding as of December 31, 2011.

The Transition Agreement was in effect from January 1, 1998 through December 31, 2007.

Effective January 1, 1998, the County and WCHCC replaced the Transition Agreement with the Cooperation Agreement, which is a ten years agreement that may be terminated by either party upon ninety days' notice.

Westchester County Health Care Corporation
Notes to Financial Statements
December 31, 2011 and 2010

In addition to certain credit support provided to WCHCC by the County, all of which WCHCC has paid down, the Cooperation Agreement addresses several legacy issues between WCHCC and the County. For example, WCHCC is required to achieve certain financial targets and provide regular financial reports to the County. The Cooperation Agreement also allows for additional guarantees of WCHCC's long-term debt at the discretion of the County, of which there was none as of December 31, 2011 and 2010.

14. Commitment and Contingencies

WCHCC has agreements with third-party payors that provide for payments to WCHCC at amounts different from its established rates. The following is the activity of estimated third-party-payor liabilities for the years ended December 31, 2011 and 2010:

	<u>December 31,</u> <u>2010 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31,</u> <u>2011 Balance</u>	<u>Amounts Due</u> <u>Within</u> <u>One Year</u>
Estimated third-party payor	\$ 58,411,496	\$ 11,920,586	\$ (15,733,605)	\$ 54,598,477	\$ 14,247,665

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

A summary of the payment arrangements follows:

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 through December 31, 2004. Commencing January 1, 2005, Medicare began transitioning this service to PPS and is paying on a fixed per diem basis, also recognizing the intensity of services provided to the patients, age and co-morbidities and geographic wage differences.

Westchester County Health Care Corporation
Notes to Financial Statements
December 31, 2011 and 2010

Medicaid and Other Third-Party Payors

Medicaid, workers' compensation and no fault payors pay rates which are promulgated by the New York State Department of Health (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. Effective December 1, 2009, the Department of Health has been authorized by state statute to implement a new hospital inpatient payment system. To provide a more equitable and fair payment method for services being rendered, New York implemented a severity-based methodology using 3M™ All Patient Refined Diagnosis Related Groups (APR-DRGs). In addition, a new acute care payment methodology has been developed.

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, 2011 and 2010, WCHCC received distributions of \$8.1 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 19% and 12%, respectively, of WCHCC's net patient service revenue for the year ended December 31, 2011 and 21% and 13%, respectively, for the year ended December 31, 2010. 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.

Westchester County Health Care Corporation

Notes to Financial Statements

December 31, 2011 and 2010

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 2011 and 2010, WCHCC recorded \$70.0 million of net DSH revenue. Amounts recognized as revenue represent amounts received for which all required Federal and State approvals have been received in WCHCC’s fiscal year.

Other Matters

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 made to third-party revenue recognition in order to not recognize revenue that may 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, 2011 and therefore have not been recognized as revenue given uncertainties and the fact that they are subject to further adjustment.

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 files a false claim or knowingly uses 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 established policies and procedures that it believes are sufficient to ensure that it operates in substantial compliance with these anti-fraud and abuse requirements.

Westchester County Health Care Corporation
Notes to Financial Statements
December 31, 2011 and 2010

WCHCC received two (2) separate subpoena duces tecum from the Office of the Inspector General of the United States Department of Health and Human Services, 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 related to inpatient outlier payments, and covered the time period of January 1, 1997 through December 31, 2003. In 2011, the Department of Health and Human Services closed that matter with no findings against WCHCC.

In November, 2011, the U.S. Attorney’s Office for the Southern District of New York served a civil investigative demand on WCHCC relating to its Behavioral Health Center. WCHCC is producing documents, and will continue to do so. As this process has just commenced, 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.

15. Line of Credit

In March 2011, WCHCC obtained a \$25 million working capital revolving line of credit from a financial institution. The line of credit was renewed in March 2012 and matures August 21, 2013 and may be renewed with the approval of the financial institution or converted to a three year term loan. As of December 31, 2011, the line has not been drawn upon.

Westchester County Health Care Corporation
Required Supplementary Information
Schedule of Funding Progress – Other Postemployment Benefits (Unaudited)
December 31, 2011, 2010 and 2009

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrual Liability (AAL) Initial Entry Age (b)	Unfunded (AAL) (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	(UAAL) As a Percentage of Covered Payroll ((b-a)/c)
01/01/11	\$ -	\$ 317,982,000	\$ 317,982,000	0.0%	\$ 230,125,000	138.2%
01/01/10	\$ -	\$ 243,312,542	\$ 243,312,542	0.0%	\$ 249,021,985	97.7%
01/01/09	\$ -	\$ 221,456,581	\$ 221,456,581	0.0%	\$ 248,085,882	89.3%

The above represents the valuation of the plan as of January 1.

Westchester County Health Care Corporation
Supplementary Schedule - Combining Balance Sheet Information
December 31, 2011

Schedule I

	Westchester County Health Care Corporation	WMC Advanced Physician Services, P.C.	WMC New York Inc. and Subsidiaries	Children's Hospital Foundation	WMC Foundation	Eliminating Entries	Total Reporting Entity
Assets							
Cash and cash equivalents	\$ 192,956,274	\$ 2,316,460	\$ (3,820)	\$ 3,095,311	\$ 2,779,663	\$ -	\$ 201,143,888
Patient accounts receivable, net	109,308,251	4,198,783	-	-	-	-	113,507,034
Investments	-	-	-	587,296	-	-	587,296
Assets restricted as to use, required for current liabilities	-	-	17,000,000	4,026,964	1,444,742	-	22,471,706
Other current assets	<u>26,772,770</u>	<u>14,065</u>	<u>201,964</u>	<u>186,585</u>	<u>74,851</u>	<u>(227,302)</u>	<u>27,022,933</u>
Total current assets	329,037,295	6,529,308	17,198,144	7,896,156	4,299,256	(227,302)	364,732,857
Assets restricted as to use, net	86,335,194	-	81,014,694	549,080	-	(6,733,332)	161,165,636
Capital assets, net	306,230,820	1,010,720	783	317	-	-	307,242,640
Other assets, net	42,365,802	-	-	-	-	(21,135,157)	21,230,645
Beneficial interest in Foundation net assets	<u>12,445,005</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,445,005)</u>	<u>-</u>
Total assets	<u>\$ 776,414,116</u>	<u>\$ 7,540,028</u>	<u>\$ 98,213,621</u>	<u>\$ 8,445,553</u>	<u>\$ 4,299,256</u>	<u>\$ (40,540,796)</u>	<u>\$ 854,371,778</u>
Liabilities and Net Assets (Deficit)							
Current portion of long-term debt	\$ 14,153,135	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,153,135
Accounts payable and accrued expenses	70,201,153	2,053,914	16,566	103,705	177,306	(227,302)	72,325,342
Accrued salaries and related withholdings	70,112,666	6,548,323	107,822	-	-	-	76,768,811
Current portion of estimated liability to third-party payors	14,113,193	134,472	-	-	-	-	14,247,665
Current portion of post retirement health insurance liability	9,586,000	-	-	-	-	-	9,586,000
Current portion of estimated self-insurance liability	4,805,000	-	17,000,000	-	-	-	21,805,000
Other current liabilities	12,275,187	-	74,539	18,793	-	-	12,368,519
Due to affiliate	<u>(4,998,094)</u>	<u>4,998,094</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current liabilities	190,248,240	13,734,803	17,198,927	122,498	177,306	(227,302)	221,254,472
Long-term debt, net	451,235,404	-	-	-	-	-	451,235,404
Estimated liability to third-party payors, net	40,350,812	-	-	-	-	-	40,350,812
Estimated post retirement health insurance liability, net	56,382,000	-	-	-	-	-	56,382,000
Estimated self-insurance liability, net	<u>28,373,633</u>	<u>-</u>	<u>69,076,504</u>	<u>-</u>	<u>-</u>	<u>(6,733,332)</u>	<u>90,716,805</u>
Total liabilities	<u>766,590,089</u>	<u>13,734,803</u>	<u>86,275,431</u>	<u>122,498</u>	<u>177,306</u>	<u>(6,960,634)</u>	<u>859,939,493</u>
Net assets (deficit)							
Restricted							
Expendable for capital acquisitions	1,455,792	-	-	1,455,792	-	(1,455,792)	1,455,792
Expendable for specific operating activities	4,546,351	-	-	3,101,609	1,444,742	(5,963,846)	3,128,856
Invested in capital assets, net of related debt	14,691,605	1,010,720	783	317	-	-	15,703,425
Unrestricted	<u>(10,869,721)</u>	<u>(7,205,495)</u>	<u>11,937,407</u>	<u>3,765,337</u>	<u>2,677,208</u>	<u>(26,160,524)</u>	<u>(25,855,788)</u>
Total net assets (deficit)	<u>9,824,027</u>	<u>(6,194,775)</u>	<u>11,938,190</u>	<u>8,323,055</u>	<u>4,121,950</u>	<u>(33,580,162)</u>	<u>(5,567,715)</u>
Total liabilities and net assets (deficit)	<u>\$ 776,414,116</u>	<u>\$ 7,540,028</u>	<u>\$ 98,213,621</u>	<u>\$ 8,445,553</u>	<u>\$ 4,299,256</u>	<u>\$ (40,540,796)</u>	<u>\$ 854,371,778</u>

Westchester County Health Care Corporation
Supplementary Schedule - Combining Balance Sheet Information
December 31, 2010

Schedule II

	Westchester County Health Care Corporation	WMC Advanced Physician Services, P.C.	WMC New York Inc. and Subsidiaries	Children's Hospital Foundation	WMC Foundation	Eliminating Entries	Total Reporting Entity
Assets							
Cash and cash equivalents	\$ 160,063,138	\$ 946,837	\$ 5,762	\$ 3,198,992	\$ 3,579,808	\$ -	\$ 167,794,537
Patient accounts receivable, net	101,369,382	2,856,809	-	-	-	-	104,226,191
Investments	-	-	-	580,921	-	-	580,921
Assets restricted as to use, required for current liabilities	-	-	16,000,000	4,904,134	1,443,998	-	22,348,132
Other current assets	23,350,611	130,612	192,122	99,316	174,688	(311,673)	23,635,676
Total current assets	284,783,131	3,934,258	16,197,884	8,783,363	5,198,494	(311,673)	318,585,457
Assets restricted as to use, net	51,227,757	-	80,325,025	842,847	-	(3,733,335)	128,662,294
Capital assets, net	301,942,111	165,615	1,007	668	-	-	302,109,401
Other assets, net	30,535,610	-	-	-	-	(11,935,157)	18,600,453
Beneficial interest in Foundation net assets	14,440,178	-	-	-	-	(14,440,178)	-
Total assets	\$ 682,928,787	\$ 4,099,873	\$ 96,523,916	\$ 9,626,878	\$ 5,198,494	\$ (30,420,343)	\$ 767,957,605
Liabilities and Net Assets (Deficit)							
Current portion of long-term debt	\$ 10,301,861	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,301,861
Accounts payable and accrued expenses	74,425,894	1,467,697	111,814	223,730	115,123	(311,673)	76,032,585
Accrued salaries and related withholdings	58,387,893	2,851,294	87,077	-	-	-	61,326,264
Current portion of estimated liability to third-party payors	12,328,614	-	-	-	-	-	12,328,614
Current portion of post retirement health insurance liability	8,435,000	-	-	-	-	-	8,435,000
Current portion of estimated self-insurance liability	4,775,000	-	16,000,000	-	-	-	20,775,000
Other current liabilities	10,538,075	-	-	46,341	-	-	10,584,416
Due to affiliate	(80,830)	80,830	-	-	-	-	-
Total current liabilities	179,111,507	4,399,821	16,198,891	270,071	115,123	(311,673)	199,783,740
Long-term debt, net	393,159,583	-	-	-	-	-	393,159,583
Estimated liability to third-party payors, net	46,082,882	-	-	-	-	-	46,082,882
Estimated post retirement health insurance liability, net	46,378,036	-	-	-	-	-	46,378,036
Estimated self-insurance liability, net	30,677,542	-	66,128,423	-	-	(3,733,335)	93,072,630
Total liabilities	695,409,550	4,399,821	82,327,314	270,071	115,123	(4,045,008)	778,476,871
Net assets (deficit)							
Restricted							
Expendable for capital acquisitions	1,447,150	-	-	1,447,150	-	(1,447,150)	1,447,150
Expendable for specific operating activities	5,724,250	-	-	4,280,252	1,443,998	(7,141,745)	4,306,755
Invested in capital assets, net of related debt	26,436,331	-	-	668	-	-	26,436,999
Unrestricted	(46,088,494)	(299,948)	14,196,602	3,628,737	3,639,373	(17,786,440)	(42,710,170)
Total net assets (deficit)	(12,480,763)	(299,948)	14,196,602	9,356,807	5,083,371	(26,375,335)	(10,519,266)
Total liabilities and net assets (deficit)	\$ 682,928,787	\$ 4,099,873	\$ 96,523,916	\$ 9,626,878	\$ 5,198,494	\$ (30,420,343)	\$ 767,957,605

Westchester County Health Care Corporation
Supplementary Schedule - Combining Revenues, Expenses, and
Changes in Net Assets (Deficit) Information
Year Ended December 31, 2011

Schedule III

	Westchester County Health Care Corporation	WMC Advanced Physician Services, P.C.	WMC New York Inc. and Subsidiaries	Children's Hospital Foundation	WMC Foundation	Eliminating Entries	Total Reporting Entity
Operating revenues							
Net patient service revenue	\$ 834,070,315	\$ 25,673,672	\$ -	\$ -	\$ -	\$ (15,466)	\$ 859,728,521
Other revenue	21,230,597	13,864,943	22,764,827	2,079,118	1,209,517	(38,792,601)	22,356,401
Total operating revenues	<u>855,300,912</u>	<u>39,538,615</u>	<u>22,764,827</u>	<u>2,079,118</u>	<u>1,209,517</u>	<u>(38,808,067)</u>	<u>882,084,922</u>
Operating expenses							
Salaries and benefits	455,013,157	45,943,907	1,390,575	-	-	-	502,347,639
Supplies and other expenses	299,117,562	6,809,012	1,022,496	1,663,893	1,172,271	(18,977,324)	290,807,910
Professional liability	17,749,741	1,559,316	24,796,877	-	-	(21,000,000)	23,105,934
Depreciation and amortization	42,230,212	321,207	224	351	-	-	42,551,994
Total operating expenses	<u>814,110,672</u>	<u>54,633,442</u>	<u>27,210,172</u>	<u>1,664,244</u>	<u>1,172,271</u>	<u>(39,977,324)</u>	<u>858,813,477</u>
Operating income (loss)	41,190,240	(15,094,827)	(4,445,345)	414,874	37,246	1,169,257	23,271,445
Nonoperating activities							
Interest income	1,635,363	-	2,186,933	34,374	11,433	-	3,868,103
Interest expense	(22,187,997)	-	-	-	-	-	(22,187,997)
Income (loss) before capital contributions	20,637,606	(15,094,827)	(2,258,412)	449,248	48,679	1,169,257	4,951,551
Change in beneficial interest in Foundation net assets	(825,916)	-	-	-	-	825,916	-
Capital contributions	2,493,100	9,200,000	-	(1,483,000)	(1,010,100)	(9,200,000)	-
Increase (decrease) in net assets (deficit)	22,304,790	(5,894,827)	(2,258,412)	(1,033,752)	(961,421)	(7,204,827)	4,951,551
Net assets (deficit)							
Beginning of year	(12,480,763)	(299,948)	14,196,602	9,356,807	5,083,371	(26,375,335)	(10,519,266)
End of year	<u>\$ 9,824,027</u>	<u>\$ (6,194,775)</u>	<u>\$ 11,938,190</u>	<u>\$ 8,323,055</u>	<u>\$ 4,121,950</u>	<u>\$ (33,580,162)</u>	<u>\$ (5,567,715)</u>

Westchester County Health Care Corporation
Supplementary Schedule - Combining Revenues, Expenses, and
Changes in Net Assets (Deficit) Information
Year Ended December 31, 2010

Schedule IV

	Westchester County Health Care Corporation	WMC Advanced Physician Services, P.C.	WMC New York Inc. and Subsidiaries	Children's Hospital Foundation	WMC Foundation	Eliminating Entries	Total Reporting Entity
Operating revenues							
Net patient service revenue	\$ 790,750,260	\$ 14,173,184	\$ -	\$ -	\$ -	\$ (13,660)	\$ 804,909,784
Other revenue	21,711,396	10,629,209	17,618,381	3,660,961	1,155,503	(29,181,011)	25,594,439
Total operating revenues	<u>812,461,656</u>	<u>24,802,393</u>	<u>17,618,381</u>	<u>3,660,961</u>	<u>1,155,503</u>	<u>(29,194,671)</u>	<u>830,504,223</u>
Operating expenses							
Salaries and benefits	425,605,223	27,094,182	1,168,484	-	-	-	453,867,889
Supplies and other expenses	301,700,887	2,645,409	993,951	1,161,617	917,731	(11,237,953)	296,181,642
Professional liability	19,882,708	-	21,009,677	-	-	(16,000,000)	24,892,385
Depreciation and amortization	39,861,434	57,416	112	791	-	-	39,919,753
Total operating expenses	<u>787,050,252</u>	<u>29,797,007</u>	<u>23,172,224</u>	<u>1,162,408</u>	<u>917,731</u>	<u>(27,237,953)</u>	<u>814,861,669</u>
Operating income (loss)	25,411,404	(4,994,614)	(5,553,843)	2,498,553	237,772	(1,956,718)	15,642,554
Nonoperating activities							
Interest income	733,456	-	2,348,671	65,295	18,085	-	3,165,507
Interest expense	(11,504,266)	-	(888,100)	-	-	-	(12,392,366)
Income (loss) before capital contributions	14,640,594	(4,994,614)	(4,093,272)	2,563,848	255,857	(1,956,718)	6,415,695
Change in beneficial interest in Foundation net assets	693,771	-	-	-	-	(693,771)	-
Capital contributions	169,216	5,062,410	-	(49,250)	(119,966)	(5,062,410)	-
Increase (decrease) in net assets (deficit)	15,503,581	67,796	(4,093,272)	2,514,598	135,891	(7,712,899)	6,415,695
Net assets (deficit)							
Beginning of year	(27,984,344)	(367,744)	18,289,874	6,842,209	4,947,480	(18,662,436)	(16,934,961)
End of year	<u>\$ (12,480,763)</u>	<u>\$ (299,948)</u>	<u>\$ 14,196,602</u>	<u>\$ 9,356,807</u>	<u>\$ 5,083,371</u>	<u>\$ (26,375,335)</u>	<u>\$ (10,519,266)</u>