

Westchester County Health Care Corporation

**Basic Financial Statements and
Supplementary Schedules**

(With Management's Discussion and Analysis)

December 31, 2012 and 2011

(With Report of Independent Certified Public Accountants)

Westchester County Health Care Corporation

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December 31, 2012 and 2011

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Audit • Tax • Advisory

Grant Thornton LLP
2001 Market Street, Suite 3100
Philadelphia, PA 19103-7080

T 215.561.4200
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www.GrantThornton.com

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors

Westchester County Health Care Corporation

We have audited the accompanying financial statements of Westchester County Health Care Corporation (“WCHCC”), which comprise the statements of net position as of December 31, 2012 and 2011, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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 constituting \$106,782,000 and \$98,015,000 and total liabilities constituting \$86,210,000 and \$86,077,000 as of December 31, 2012 and 2011, respectively. Those statements were audited by other auditors, whose report 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 reports of the other auditor’s. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the

purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audits and the reports of the other auditors the financial statements referred to above present fairly, in all material respects, the net position of Westchester County Health Care Corporation as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplemental Information

Accounting principles generally accepted in the United State of America require that the management's discussion and analysis on pages 3 through 11 and the required supplementary information on page 41 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 the 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 America 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 of limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Information

The accompanying combining information included on the supplemental schedules on pages 42 through 45 are presented for purposes of additional analysis and are 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 use to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.



New York, NY
April 8, 2013

Westchester County Health Care Corporation
Management's Discussion and Analysis (Unaudited)
December 31, 2012 and 2011

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, 2012, 2011, and 2010. 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 (Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, Statements of Cash Flows, and the Notes to the Financial Statements) present, on a comparative basis, the financial position of WCHCC at December 31, 2012 and 2011 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 Statements of Net Position include all of WCHCC's assets and liabilities. The Statements of Revenues, Expenses, and Changes in Net Position 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 position (the difference between assets and liabilities) and how that has changed. Net position 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, 2012 and 2011

Financial Analysis
Summary of Assets, Liabilities, and Net Position
December 31, 2012, 2011 and 2010

	<u>2012</u>	<u>2011</u>	<u>2010</u>	2012-2011 Percentage Change
Assets				
Current assets	\$ 359,199,221	\$ 364,732,857	\$ 318,585,457	(1.5)%
Capital assets	304,807,732	307,242,640	302,109,401	(0.8)
Other assets	<u>180,808,313</u>	<u>182,396,281</u>	<u>147,262,747</u>	<u>(0.9)</u>
Total assets	<u>\$ 844,815,266</u>	<u>\$ 854,371,778</u>	<u>\$ 767,957,605</u>	<u>(1.1)%</u>
Liabilities				
Current liabilities	\$ 203,468,035	\$ 200,628,435	\$ 191,697,946	1.4%
Long-term portion of debt	441,751,530	451,235,404	393,159,583	(2.1)
Other long-term liabilities	<u>204,937,128</u>	<u>208,075,654</u>	<u>193,619,342</u>	<u>(1.5)</u>
Total liabilities	<u>\$ 850,156,693</u>	<u>\$ 859,939,493</u>	<u>\$ 778,476,871</u>	<u>(1.1)%</u>
Net position				
Restricted	\$ 7,106,100	\$ 6,532,469	\$ 7,709,895	8.8%
Unrestricted	<u>(12,447,527)</u>	<u>(12,100,184)</u>	<u>(18,229,161)</u>	<u>2.9%</u>
Total net position	<u>\$ (5,341,427)</u>	<u>\$ (5,567,715)</u>	<u>\$ (10,519,266)</u>	<u>(4.1)%</u>

Westchester County Health Care Corporation
Management's Discussion and Analysis (Unaudited)
December 31, 2012 and 2011

Financial Analysis

Summary of Revenues, Expenses, and Changes in Net Position
Years ended December 31, 2012, 2011 and 2010

	<u>2012</u>	<u>2011</u>	<u>2010</u>	2012-2011 Percentage Change
Operating revenues				
Net patient service revenue	\$ 867,780,675	\$ 859,728,521	\$ 804,909,784	0.9%
Other revenue	<u>25,652,393</u>	<u>22,356,401</u>	<u>25,594,439</u>	<u>14.7</u>
Total operating revenues	<u>893,433,068</u>	<u>882,084,922</u>	<u>830,504,223</u>	<u>1.3</u>
Operating expenses				
Salaries and benefits	488,827,468	502,347,639	453,867,889	(2.7)
Supplies and other expenses	326,173,658	290,807,910	296,181,642	12.2
Professional liability	15,029,291	23,105,934	24,892,385	(35.0)
Depreciation and amortization	<u>44,521,147</u>	<u>42,551,994</u>	<u>39,919,753</u>	<u>4.6</u>
Total operating expenses	<u>874,551,564</u>	<u>858,813,477</u>	<u>814,861,669</u>	<u>1.8</u>
Operating income	18,881,504	23,271,445	15,642,554	(18.9)
Nonoperating activities, net				
Increase in net position	<u>(18,655,216)</u>	<u>(18,319,894)</u>	<u>(9,226,859)</u>	<u>1.8</u>
Increase in net position	226,288	4,951,551	6,415,695	(95.4)
Net position				
Beginning of year	<u>(5,567,715)</u>	<u>(10,519,266)</u>	<u>(16,934,961)</u>	<u>(47.1)</u>
End of year	<u>\$ (5,341,427)</u>	<u>\$ (5,567,715)</u>	<u>\$ (10,519,266)</u>	<u>(4.1)%</u>

Westchester County Health Care Corporation
Management's Discussion and Analysis (Unaudited)
December 31, 2012 and 2011

Overall Financial Position and Operations

WCHCC reported operating income of \$18.9 million, \$23.3 million and \$15.6 million for the years ended December 31, 2012, 2011, and 2010, respectively. WCHCC's net position increased \$0.2 million from December 31, 2011 to December 31, 2012 and increased \$5.0 million from December 31, 2010 to December 31, 2011.

Significant financial indicators are as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating income (in millions)	\$ 18.9	\$ 23.3	\$ 15.6
Current ratio	1.8	1.8	1.7
Quick ratio	1.7	1.7	1.6
Days cash on hand	84.1	89.7	78.9

Analysis of Financial Position

In this section, WCHCC management provides our analysis of December 31, 2012 financial amounts, compared to December 31, 2011 financial amounts, and, where appropriate, December 31, 2010 financial amounts, compared to December 31, 2010.

Assets and Liabilities

Cash and Cash Equivalents

The cash position decreased \$9.8 million at December 31, 2012 compared to December 31, 2011 due to lower cash flows provided by operations, which included an increase in the pension payment to New York State and Local Retirement System. The cash position increased \$33.3 million at December 31, 2011 compared to December 31, 2010, 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 48.7, 48.2, and 47.3 at December 31, 2012, 2011, and 2010, respectively. The days outstanding at December 31, 2012 compared to December 31, 2011 remained consistent. The increase in days outstanding at December 31, 2011 compared to December 31, 2010 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 physician billings.

Investments

Investments remained consistent from December 31, 2012, 2011 and 2010.

Other Current Assets

Other current assets increased \$1.5 from December 31, 2011 to December 31, 2012 primarily due to the increase in inventory balances, and increased \$3.4 million from December 31, 2010 to December 31, 2011 primarily due to the increase in receivables for reinsurance claims and an increase in inventory balances.

Assets Restricted as to Use

Assets restricted as to use remained consistent from December 31, 2011 to December 31, 2012.

Westchester County Health Care Corporation
Management's Discussion and Analysis (Unaudited)
December 31, 2012 and 2011

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 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 funds restricted for malpractice claims of \$1.3 million, a decrease in funds restricted for capital and program services of \$0.5 million, a 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

Capital Assets

WCHCC's capital additions, consisting of various capital projects and medical equipment purchases, in 2012 were \$41.5 million offset by depreciation expense of \$43.9 million. WCHCC's capital additions in 2011 were \$47.1 million offset by depreciation expense of \$42.0 million.

Capital assets decreased \$2.4 million from December 31, 2011 to December 31, 2012 due to a reduction in capital expenditures in 2012 and increased \$5.1 million from December 31, 2010 to December 31, 2011 due to increased capital expenditures during 2011 as a result of bond proceeds from the 2010 financing.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses increased \$2.4 million from December 31, 2011 to December 31, 2012 due to increased supply costs.

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.

Accrued Salaries and Related Withholdings

Accrued salaries and related withholdings increased \$2.3 million from December 31, 2011 to December 31, 2012 and increased \$5.8 million from December 31, 2010 to December 31, 2011 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, 2013 and February 1, 2012, respectively, as a result of increased contribution rates.

Other Current Liabilities

Other current liabilities decreased \$3.6 million from December 31, 2011 to December 31, 2012 primarily due to a decrease in the current portion of third-party payors and increased \$6.0 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.

Long-Term Debt

Long-term debt decreased \$7.7 million from December 31, 2011 to December 31, 2012 due to bond principal payments and capital lease payments of \$14.7 million offset by new capital lease obligations of \$7.0 million.

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, 2012 and 2011

Other Long-Term Liabilities

Other long-term liabilities decreased approximately \$3.1 million from December 31, 2011 to December 31, 2012 primarily due to decreases of \$1.3 million for self-insurance liabilities and reductions in third party payor liabilities of \$15.3 million partially offset by an increase of \$8.0 million for deferred pension and \$3.5 million for post-retirement health insurance liability.

Other long-term liabilities increased approximately \$14.5 million from December 31, 2010 to December 31, 2011 primarily due to increases of \$10.0 million for post-retirement health insurance liability and \$12.6 million for deferred pension partially offset by decreases of \$2.4 million for insurance and reductions in third party payor liabilities of \$5.7 million.

Revenues and Expenses

Net Patient Service Revenue

Net patient service revenue increased \$8.1 million from 2011 to 2012. The increases included increased inpatient and outpatient payment rates of \$30.7 million and \$10.4 million of other patient revenue, partially offset by reductions in patient volume of \$33.0 million.

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 other patient revenue, partially offset by reductions in patient volume of \$16.2 million and commercial case mix decreases of \$1.3 million.

Other Revenue

Other revenue increased \$3.3 million from 2011 to 2012 due to increased grant revenue and decreased \$3.2 million from 2010 to 2011 as the result of various nonrecurring revenues during 2011.

Salaries and Benefits

Salaries and benefits decreased \$13.5 million from 2011 to 2012. The decrease consists of \$12.7 million in salaries due to certain outsourcing initiatives which was partially offset by incremental physician and support staff costs. In addition, benefit costs decreased by \$0.8 million as the result of an increase in unemployment insurance due to the outsourcing partially offset by a decrease in post-retirement health insurance 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. 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.

Supplies and Other Expenses

Supplies and other expenses increased approximately \$35.4 million from 2011 to 2012 primarily due to:

- Increase in medical/surgical supplies costs of \$9.8 million due to increased patient acuity requiring more expensive drugs and other medical supplies.
- Increase in technical services of \$27.5 million primarily due to contractual services in connection with certain outsourcing initiatives.

Westchester County Health Care Corporation
Management's Discussion and Analysis (Unaudited)
December 31, 2012 and 2011

- Decrease in payments to New York Medical College of \$2.1 million.
- Increase in other expenses of \$0.2 million.

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 was 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.

Professional Liability

Professional liability insurance costs decreased \$8.1 million from 2011 to 2012 due to a decrease in insurance claims, cases and settlements and decreased \$1.8 million from 2010 to 2011 due to a reduction in excess malpractice insurance premium.

Depreciation and Amortization Expense

Depreciation and amortization expense increased \$2.0 million from 2011 to 2012 and \$2.6 million from 2010 to 2011 due capital additions in 2012 and 2011.

Nonoperating Activities, Net

Nonoperating activities, net increased \$0.3 million from 2011 to 2012 primarily due to increased interest income partially offset by increased interest expense as a result of the 2011 bond offering.

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.

Net Position

As shown in the Statements of Net Position, WCHCC's net position has the following components:

- Restricted
- Unrestricted

Restricted

Increased \$0.6 million from December 31, 2011 to December 31, 2012 due to the initiation of a capital campaign and decreased \$1.1 million from December 31, 2010 to December 31, 2011 primarily due to assets released from restriction for capital and programmatic purchases.

Westchester County Health Care Corporation
Management's Discussion and Analysis (Unaudited)
December 31, 2012 and 2011

Unrestricted

Unrestricted net position, a deficit, decreased by \$0.3 million, to (\$12.4) million at December 31, 2012 from (\$12.1) million at December 31, 2011. Unrestricted net position decreased primarily due to operating income of \$18.9 million and an increase in restricted net position of \$0.6 million, partially offset by nonoperating activities, net of \$18.6.

Unrestricted net position, a deficit increased by \$6.1 million, to (\$12.1) million at December 31, 2011 from (\$18.2) million at December 31, 2010. Unrestricted net position increased primarily due to an operating income of \$23.3 million and a decrease in restricted net position of \$1.1 million, partially offset by nonoperating activities, net of \$18.3.

Capital Assets and Long-Term Debt Activity

Capital Assets

At December 31, 2012, WCHCC had capital assets, net of accumulated depreciation, of \$304.8 million, compared to \$307.2 million at December 31, 2011 and \$302.1 million at December 31, 2010. Major categories of capital assets are set forth in the table below:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Land and land improvements	\$ 1,319,107	\$ 1,532,959	\$ 1,698,312
Buildings and building improvements	186,255,006	195,412,944	197,525,826
Equipment	99,468,328	100,241,959	90,928,731
Construction in progress	17,765,291	10,054,778	11,956,532
	<u>\$ 304,807,732</u>	<u>\$ 307,242,640</u>	<u>\$ 302,109,401</u>

WCHCC's capital additions in 2012 were \$41.5 million, consisting of various capital projects and medical equipment purchases, offset by depreciation expense of \$43.9 million. 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.

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

Long-Term Debt

At December 31, 2012, WCHCC had \$457.7 million in total long-term debt outstanding, as shown with comparative amounts at December 31, 2011 and December 31, 2010:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
2000 Series Bonds	\$ 108,170,000	\$ 108,170,000	\$ 113,240,000
2010 Series Bonds	266,295,000	275,395,000	283,390,000
2011 Series Bonds	64,180,000	64,280,000	-
Capital Leases	19,015,840	17,543,539	6,831,444
	<u>\$ 457,660,840</u>	<u>\$ 465,388,539</u>	<u>\$ 403,461,444</u>

Long-term debt decreased \$7.7 million from December 31, 2011 to December 31, 2012 due to principal payments on bonds and capital leases partially offset by new capital leases and increased \$61.9 million

Westchester County Health Care Corporation
Management's Discussion and Analysis (Unaudited)
December 31, 2012 and 2011

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.

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 F. Brudnicki, Senior Executive Vice President, Westchester County Health Care Corporation, Executive Offices, Valhalla, NY 10595.

Westchester County Health Care Corporation
Statements of Net Position
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 190,851,694	\$ 200,613,562
Patient accounts receivable, net	115,519,295	113,507,034
Investments	591,532	587,296
Assets restricted as to use, required for current liabilities	23,681,335	23,002,032
Other current assets	<u>28,555,365</u>	<u>27,022,933</u>
Total current assets	359,199,221	364,732,857
Assets restricted as to use, net	160,247,807	161,165,636
Capital assets, net	304,807,732	307,242,640
Other assets, net	<u>20,560,506</u>	<u>21,230,645</u>
Total assets	<u>844,815,266</u>	<u>854,371,778</u>
Liabilities		
Current liabilities:		
Current portion of long-term debt	15,909,310	14,153,135
Accounts payable and accrued expenses	74,759,978	72,325,342
Accrued salaries and related withholdings	61,357,771	59,080,138
Current portion of estimated liability to third-party payors	7,321,740	14,247,665
Current portion of post retirement health insurance liability	11,614,000	9,586,000
Current portion of estimated self-insurance liability	26,990,000	26,505,000
Current portion of other liabilities	<u>5,515,236</u>	<u>4,731,155</u>
Total current liabilities	203,468,035	200,628,435
Long-term debt, net	441,751,530	451,235,404
Estimated liability to third-party payors, net	27,025,109	40,350,812
Estimated post retirement health insurance liability, net	59,899,000	56,382,000
Estimated self-insurance liability, net	89,394,951	90,716,805
Other liabilities, net	<u>28,618,068</u>	<u>20,626,037</u>
Total liabilities	<u>850,156,693</u>	<u>859,939,493</u>
Commitments and contingencies		
Net Position		
Restricted		
Expendable for capital acquisitions	1,758,330	1,455,792
Expendable for specific operating activities	<u>5,347,770</u>	<u>5,076,677</u>
Total restricted	<u>7,106,100</u>	<u>6,532,469</u>
Unrestricted		
Invested in capital assets, net of related debt	11,355,821	15,703,425
Unrestricted	<u>(23,803,348)</u>	<u>(27,803,609)</u>
Total unrestricted	<u>(12,447,527)</u>	<u>(12,100,184)</u>
Total net position	<u>\$ (5,341,427)</u>	<u>\$ (5,567,715)</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 Position
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating revenues		
Net patient service revenue (net of provision for bad debts of \$47,570,755 and \$75,466,804 in 2012 and 2011, respectively)	\$ 867,780,675	\$ 859,728,521
Other revenue	<u>25,652,393</u>	<u>22,356,401</u>
Total operating revenues	<u>893,433,068</u>	<u>882,084,922</u>
Operating expenses		
Salaries and benefits	488,827,468	502,347,639
Supplies and other expenses	326,173,658	290,807,910
Professional liability	15,029,291	23,105,934
Depreciation and amortization	<u>44,521,147</u>	<u>42,551,994</u>
Total operating expenses	<u>874,551,564</u>	<u>858,813,477</u>
Operating income	18,881,504	23,271,445
Nonoperating activities		
Interest income	4,788,206	3,868,103
Interest expense	<u>(23,443,422)</u>	<u>(22,187,997)</u>
Increase in net position	226,288	4,951,551
Net position		
Beginning of year	<u>(5,567,715)</u>	<u>(10,519,266)</u>
End of year	<u>\$ (5,341,427)</u>	<u>\$ (5,567,715)</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, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Cash received from patients and third-party payors	\$ 845,516,786	\$ 846,634,659
Other receipts	24,188,253	18,113,091
Cash paid to employees for salaries and benefits	(481,004,835)	(475,750,128)
Cash paid for supplies and other expenses	<u>(337,107,459)</u>	<u>(323,680,460)</u>
Net cash provided by operating activities	<u>51,592,745</u>	<u>65,317,162</u>
Cash flows from noncapital financing activities		
Proceeds from contributions restricted for specific operating activities	<u>3,968,625</u>	<u>3,288,635</u>
Net cash provided by noncapital financing activities	<u>3,968,625</u>	<u>3,288,635</u>
Cash flows from capital and related financing activities		
Purchase of capital assets	(29,047,748)	(26,343,419)
Proceeds from issuance of long-term debt	-	172,450,000
Repayments of principal on long-term debt	(14,709,723)	(124,735,900)
Payments of long-term debt deferred financing costs	-	(2,344,132)
Interest paid	<u>(22,619,638)</u>	<u>(22,229,172)</u>
Net cash used in capital and related financing activities	<u>(66,377,109)</u>	<u>(3,202,623)</u>
Cash flows from investing activities		
Purchase of assets restricted as to use	(42,267,143)	(74,255,442)
Sales of assets restricted as to use	38,537,044	38,348,060
Purchases of investments	(4,236)	(6,375)
Interest received	<u>4,788,206</u>	<u>3,868,103</u>
Net cash provided by (used in) investing activities	<u>1,053,871</u>	<u>(32,045,654)</u>
Net (decrease) increase in cash and cash equivalents	(9,761,868)	33,357,520
Cash and cash equivalents		
Beginning of year	<u>200,613,562</u>	<u>167,256,042</u>
End of year	<u>\$ 190,851,694</u>	<u>\$ 200,613,562</u>
Supplemental disclosure of cash flow information		
Amounts accrued for purchase of capital assets	<u>\$ 5,454,620</u>	<u>\$ 6,558,826</u>
Assets acquired under capital leases	<u>\$ 6,982,024</u>	<u>\$ 14,212,995</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, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 18,881,504	\$ 23,271,445
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	44,521,147	42,551,994
Provision for bad debts, net	47,570,755	75,466,804
Changes in assets and liabilities		
Patient accounts receivable	(49,583,016)	(84,747,647)
Other assets	(1,464,140)	(4,243,310)
Accounts payable and accrued expenses	(3,019,984)	(10,266,069)
Accrued salaries and related withholdings	2,277,633	15,442,547
Estimated liabilities to third-party payors, net	(20,251,628)	(3,813,019)
Estimated post-retirement health insurance liability	5,545,000	11,154,964
Estimated self-insurance liability	(836,854)	(825,825)
Other current liabilities	7,952,328	1,325,278
Net cash provided by operating activities	<u>\$ 51,592,745</u>	<u>\$ 65,317,162</u>

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

Westchester County Health Care Corporation

Notes to Financial Statements

December 31, 2012 and 2011

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.

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 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 is supporting, maintaining, and otherwise benefiting and being responsive to the needs and objectives of the Maria Fareri Children's Hospital at Westchester Medical Center (MFCH). 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, 2012 and 2011

- 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. 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.

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.

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 net patient accounts receivable, third party payor liabilities, postretirement health insurance liabilities and malpractice insurance liabilities for the year ended December 31, 2012 and 2011 resulted in an increase in operating income of \$59.8 million and \$17.1 million, respectively.

Patient Accounts Receivable and Net Patient Service Revenue

Accounts receivable from patients and third-party payors at December 31, 2012 and 2011, respectively, was composed of Medicare, 19% and 16%; Medicaid, 24% and 22%; and commercial insurance and health maintenance organizations, 57% and 54%, respectively. Patient accounts receivable are recorded net of allowances for estimated uncollectible accounts of \$82.6 million and \$84.6 million at December 31, 2012 and 2011, respectively. Most of WCHCC's net patient service revenues are derived from third-party payment programs, including Medicare and Medicaid.

Westchester County Health Care Corporation
Notes to Financial Statements
December 31, 2012 and 2011

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.

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 net position-invested in capital assets, net of related debt, 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, 2012 and 2011, net contribution and grants receivables of approximately \$2,326,000 and \$2,032,000, respectively, are included in the accompanying Statement of Net Position.

Westchester County Health Care Corporation
Notes to Financial Statements
December 31, 2012 and 2011

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, 2012 and 2011, 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. 98% and 95% of cash and cash equivalents resides with a significant financial institution at December 31, 2012 and 2011, 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. These certificates of deposit have a value of approximately \$1,183,000 and \$1,175,000 at December 31, 2012 and 2011, respectively.

Inventories

Inventories, included in other current assets, are primarily prepaid supplies that 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, net of interest earned on those funds, incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of construction.

Net Position

Unrestricted net position has no external restrictions as to use or purpose and is distinguished from net position restricted externally for specific purposes. Restricted net positions 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 position-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

Westchester County Health Care Corporation
Notes to Financial Statements
December 31, 2012 and 2011

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, 2012, at approximately \$74,744,000, of which approximately \$23,300,000 is the cost of charity care, and for the year ended December 31, 2011, at approximately \$43,255,000, of which approximately \$14,712,000 is the cost of charity care.

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. Eligible 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 Statements of Net Position.

Impairment of Long-Lived Assets

Long-lived assets 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 years ended December 31, 2012 and 2011.

Costs of Borrowing

Deferred financing fees, included as other long-term assets, of approximately \$19,916,000 as of December 31, 2012 and 2011, 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, 2012 and 2011 was approximately \$4,925,000 and \$4,215,000, respectively.

Westchester County Health Care Corporation

Notes to Financial Statements

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Recently Adopted Accounting Pronouncements

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The adoption of this standard required WCHCC to change the reference of net assets to net position.

Pending Accounting Pronouncements

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The adoption of this standard in fiscal year 2013 will require WCHCC to no longer be able to capitalize and amortize its deferred financing fees and will require deferred financing costs to be expensed in the period incurred. WCHCC will adopt this standard in fiscal year 2013 and write off approximately \$15 million of deferred financing fees to net position and expense future financing costs as incurred.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The Statement improves the accounting and financial reporting by state and local governments for pensions.

Upon adoption, WCHCC will be required to recognize a liability for its proportionate share of the net pension liability of the New York State and Local Retirement System. WCHCC proportion is required to be determined on a basis that is consistent with the manner in which contributions to the pension plan are determined which at this time is covered payroll.

WCHCC will be required to continue recognizing pension expense and begin reporting deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions.

This Statement requires that notes to financial statements of WCHCC to include descriptive information about the pension plans through which the pensions are provided and identify the discount rate and assumptions made in the measurement of their proportionate shares of net pension liabilities. This Statement also requires WCHCC to present in required supplementary information 10-year schedules containing (1) the net pension liability and certain related ratios and

Westchester County Health Care Corporation
Notes to Financial Statements
December 31, 2012 and 2011

(2) if applicable, information about statutorily or contractually required contributions, contributions to the pension plan, and related ratios.

The provisions of the Statement are effective for WCHCC's 2015 fiscal year. WCHCC is in the process of evaluating the impact of this statement will have on its financial position, the results of its operations, and the changes in its net position.

3. Deposits and Investments

Deposits and investments consist of the following at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Description		
Bank deposits	\$ 265,295,590	\$ 264,186,172
Certificates of deposit	1,183,064	1,174,592
Mutual funds	27,056	674
Equities	9,404,435	-
US Treasury securities	60,554,506	79,910,944
Corporate bonds	36,348,852	37,705,225
	<u>\$ 372,813,503</u>	<u>\$ 382,977,607</u>
 Description on Balance Sheet		
Cash and cash equivalents	\$ 190,851,694	\$ 200,613,562
Investments	591,532	587,296
Assets limited as to use - current portion	22,334,414	21,917,851
Assets limited as to use - noncurrent portion	159,035,863	159,858,898
	<u>\$ 372,813,503</u>	<u>\$ 382,977,607</u>
 Investment Maturities		
One year or less	\$ 9,062,297	\$ 24,243,589
After one through five years	70,506,209	93,372,580
After five through ten years	17,334,852	-
	<u>\$ 96,903,358</u>	<u>\$ 117,616,169</u>

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

Interest Rate Risk - WCHCC invests in fixed-rate debt and US Treasury securities with approximately one- to ten 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
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4. Assets Restricted as to Use

Assets restricted as to use consist of the following at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Time and purpose restricted		
The Westchester Medical Center Foundation, Inc.	\$ 2,276,946	\$ 1,975,068
The Children's Hospital Foundation at WMC, Inc.	4,829,154	4,576,044
	<u>7,106,100</u>	<u>6,551,112</u>
Under debt agreements		
Debt service reserve funds	31,787,105	31,787,105
Construction funds	42,627,845	53,412,157
Other	1,025,928	1,135,932
	<u>75,440,878</u>	<u>86,335,194</u>
Self-insurance funds		
Offshore insurance captive	101,382,164	91,281,362
	183,929,142	184,167,668
Less portion required for current liabilities	<u>23,681,335</u>	<u>23,002,032</u>
Assets restricted as to use, net of current portion	<u>\$ 160,247,807</u>	<u>\$ 161,165,636</u>

WCHCC's assets restricted as to use are reported at fair value, as described in Note 3. At December 31, 2012 and 2011, the composition of assets restricted as to use consisted of the following:

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 74,470,214	\$ 63,572,610
US Treasury securities	60,554,506	79,910,944
Corporate bonds	36,348,852	37,705,225
Equities	9,404,435	-
Other	3,151,135	2,978,889
	<u>\$ 183,929,142</u>	<u>\$ 184,167,668</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
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5. Capital Assets

Capital assets are summarized as follows at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>	<u>Estimated Useful Lives</u>
Land and land improvements	\$ 8,500,484	\$ 8,500,484	10 years
Buildings and building improvements	407,110,522	400,022,001	5-40 years
Equipment	<u>395,556,883</u>	<u>368,871,525</u>	5-20 years
	811,167,889	777,394,010	
Less accumulated depreciation and amortization	<u>524,125,448</u>	<u>480,206,148</u>	
	287,042,441	297,187,862	
Construction in progress	<u>17,765,291</u>	<u>10,054,778</u>	
Capital assets, net	<u>\$ 304,807,732</u>	<u>\$ 307,242,640</u>	

Included in land and land improvements is approximately \$313,000 of land that is not depreciated as of December 31, 2012 and 2011. Construction in progress relates to various capital projects. The additional costs to complete such projects are anticipated to aggregate approximately \$24.3 million as of December 31, 2012.

Included in capital assets is capitalized interest, net of accumulated amortization, of approximately \$14,026,000 and \$14,357,000 as of December 31, 2012 and 2011, respectively. The net book value of capital leases held under lease obligations, included in equipment, is approximately \$15,406,000 and \$15,748,000 as of December 31, 2012 and 2011, respectively.

Capital asset activity for the years ended December 31, 2012 and 2011 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, 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	8,500,484	400,022,001	368,871,525	10,054,778	787,448,788
Acquisitions, net of transfers	-	7,088,521	26,685,358	7,710,513	41,484,392
Retirements	-	-	-	-	-
December 31, 2012 balance	<u>\$ 8,500,484</u>	<u>\$ 407,110,522</u>	<u>\$ 395,556,883</u>	<u>\$ 17,765,291</u>	<u>\$ 828,933,180</u>

Westchester County Health Care Corporation
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Related information on accumulated depreciation for the years ended December 31, 2012 and 2011 was as follows:

	Land and Land Improvements	Buildings and Building Improvements	Equipment	Total
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	<u>6,967,525</u>	<u>204,609,057</u>	<u>268,629,566</u>	<u>480,206,148</u>
Depreciation expense	213,852	16,246,457	27,458,991	43,919,300
Retirements	-	-	-	-
December 31, 2012 balance	<u>\$ 7,181,377</u>	<u>\$ 220,855,514</u>	<u>\$ 296,088,557</u>	<u>\$ 524,125,448</u>

6. Long-Term Debt

Long-term debt activity as of December 31, 2012 and 2011 was as follows:

	December 31, 2011	Additions	Repayments	December 31, 2012	Amounts due Within One Year
Long-term debt					
2000 Series Bonds (a)	\$ 108,170,000	\$ -	\$ -	\$ 108,170,000	\$ -
2010 Series Bonds (b)	275,395,000	-	(9,100,000)	266,295,000	9,355,000
2011 Series Bonds (c)	64,280,000	-	(100,000)	64,180,000	100,000
Capital leases (d)	17,543,539	6,982,024	(5,509,723)	19,015,840	6,454,310
	<u>\$ 465,388,539</u>	<u>\$ 6,982,024</u>	<u>\$ (14,709,723)</u>	<u>\$ 457,660,840</u>	<u>\$ 15,909,310</u>

	December 31, 2010	Additions	Repayments	December 31, 2011	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>

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- 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 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, 2012 and 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 1.25 for the Series 2000 Bonds. For the years ended December 31, 2012 and 2011, 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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	-	5,313,900	5,313,900
2018-2022	18,865,000	26,109,500	44,974,500
2023-2027	55,800,000	16,778,650	72,578,650
2028-2030	33,505,000	3,367,250	36,872,250
	<u>\$ 108,170,000</u>	<u>\$ 72,824,900</u>	<u>\$ 180,994,900</u>

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Interest expense relating to the Series 2000 Revenue Bonds was approximately \$5,313,900 and \$7,065,000 in 2012 and 2011, 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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	11,250,000	11,518,321	22,768,321
2018-2022	33,730,000	49,741,380	83,471,380
2023-2027	1,725,000	46,117,918	47,842,918
2028-2032	8,110,000	44,411,093	52,521,093
2033-2037	53,285,000	39,982,555	93,267,555
2038-2040	60,810,000	10,612,137	71,422,137
	<u>\$ 209,015,000</u>	<u>\$ 253,531,688</u>	<u>\$ 462,546,688</u>

In December 2010, WCHCC also participated in a bond offering dated November 1, 2010 relating to \$57,280,000 Westchester County Health Care Corporation Revenue Bonds, Series 2010D, Senior Lien (Taxable) bearing interest under a Weekly Interest Rate, such rate being 0.16% and 0.17% at December 31, 2012 and 2011, respectively, maturing November 1, 2034. The 2010D series consist of variable rate demand bonds (VRDBs). WCHCC 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, 2015.

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The following is a schedule by year of future principal and interest payments on the Series 2010D Bonds, assuming an interest rate of 2%:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ -	\$ 1,144,811	\$ 1,144,811
2014	-	1,145,600	1,145,600
2015	-	1,145,600	1,145,600
2016	-	1,146,389	1,146,389
2017	-	1,144,811	1,144,811
2018-2022	-	5,728,000	5,728,000
2023-2027	-	5,728,000	5,728,000
2028-2032	28,465,000	5,448,696	33,913,696
2033-2034	28,815,000	852,703	29,667,703
	<u>\$ 57,280,000</u>	<u>\$ 23,484,610</u>	<u>\$ 80,764,610</u>

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, 2012 and 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, 2012 and 2011, WCHCC met the required Long-Term Debt Service Coverage Ratio.

Interest expense, net of capitalized interest, relating to the Series 2010 Bonds and Series 2010D Bonds was approximately \$13,600,000 and \$13,861,000 in 2012 and 2011, respectively.

- 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.

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The following is a schedule by year of future principal and interest payments on the Series 2011:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	100,000	3,108,131	3,208,131
2018-2022	7,430,000	15,116,606	22,546,606
2023-2027	12,485,000	12,893,644	25,378,644
2028-2032	17,965,000	9,561,381	27,526,381
2033-2037	12,895,000	5,355,881	18,250,881
2038-2041	12,905,000	1,695,096	14,600,096
	<u>\$ 64,180,000</u>	<u>\$ 60,192,263</u>	<u>\$ 124,372,263</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, 2012 and 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 2011 Bonds. For the years ended December 31, 2012 and 2011, WCHCC met the required Long-Term Debt Service Coverage Ratio.

Interest expense, net of capitalized interest, relating to the Series 2011 Bonds was approximately \$3,320,000 and \$98,000 in 2012 and 2011, respectively.

- 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 7.27%.

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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, 2012, are as follows:

Year	Amount
2013	\$ 7,218,128
2014	6,686,219
2015	4,684,545
2016	1,379,868
2017	483,310
	<u>20,452,070</u>
Less: Amount representing interest	1,436,230
Present value of net minimum lease payments	19,015,840
Less: Current portion	6,454,310
	<u>\$ 12,561,530</u>

The interest expense under these leases was approximately \$837,000 and \$521,000 in 2012 and 2011, respectively.

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, 2012 for the 2011-2012 State plan year and February 1, 2011 for the 2010-2011 State plan year. Amounts are accrued in WCHCC's Statements of Net Position by prorating charges incurred in WCHCC's fiscal year. The amount outstanding for current and prior year contributions as of December 31, 2012 and 2011 was approximately \$48,150,000 and \$38,032,000, respectively, and is included in accrued salaries and related withholdings and other long term liabilities in the accompanying Statements of Net Position.

NYSRSSL Chapter 57 of the Laws of 2010 authorized the New York State and local employers to amortize over ten years, at 3.75 percent (2012) and 5 percent (2011) interest, the portion of their annual bill that exceeded 10.5 percent and 9.5 percent of payroll for its 2012 and 2011 pension bills

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respectively. The following is the activity of deferred pension contributions which is included in other liabilities for the years ended December 31, 2012 and 2011:

	<u>December 31,</u> <u>2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31,</u> <u>2012</u>	<u>Amounts Due</u> <u>Within</u> <u>One Year</u>
Deferred contributions	\$ 18,816,623	\$ 10,615,615	\$ (1,127,950)	\$ 28,304,288	\$ 2,347,937

	<u>December 31,</u> <u>2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31,</u> <u>2011</u>	<u>Amounts Due</u> <u>Within</u> <u>One Year</u>
Deferred contributions	\$ 6,081,587	\$ 13,809,275	\$ (1,074,239)	\$ 18,816,623	\$ 1,127,950

WCHCC's annual plan cost amounted to approximately \$41,470,000, \$40,224,000 and \$27,355,000 in 2012, 2011, and 2010, 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 provides basic medical and hospitalization plan coverage to eligible retirees through a single employer defined benefit plan. The plan does not issue its own stand-alone financial statements. 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. Subsequent to December 31, 2012, certain retirees are required to contribute to the cost of this coverage. Retirees may elect family coverage at a cost of 20% of the difference between the premium equivalent cost of family and individual coverage. Currently, 68% of the participants have elected individual coverage.

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, 2012 and 2011, the amount actually contributed to the plan, and changes in WCHCC's net OPEB obligation.

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	<u>2012</u>	<u>2011</u>
Annual OPEB cost:		
Annual required contribution (ARC):		
Normal cost	\$ 10,438,000	\$ 14,356,000
Amortization payment	9,054,000	8,699,000
Interest cost	779,000	922,000
Total	<u>20,271,000</u>	<u>23,977,000</u>
ARC adjustment	(6,281,000)	(5,136,000)
Interest on net OPEB obligation	<u>2,583,000</u>	<u>2,136,000</u>
Annual OPEB cost	<u>\$ 16,573,000</u>	<u>\$ 20,977,000</u>
Net OPEB obligation:		
Annual required contribution	\$ 16,573,000	\$ 20,977,000
Amortization of change in estimate	(1,401,000)	(1,401,000)
Contributions made	<u>(9,627,000)</u>	<u>(8,421,000)</u>
Increase in OPEB obligation	5,545,000	11,155,000
Net OPEB obligation - beginning of year	<u>65,968,000</u>	<u>54,813,000</u>
Net OPEB obligation - end of year	<u>\$ 71,513,000</u>	<u>\$ 65,968,000</u>
Percentage of annual OPEB:		
Cost contributed	58.09%	40.14%

Annual OPEB cost, contributions made and percentage of costs contributed for the year ended December 31, 2010 were \$14,068,000, \$7,424,000 and 52.77%, respectively.

As of January 1, 2012 and 2011, the plan was unfunded. The unfunded actuarial accrued liability (UAAL) as of December 31, 2012 and 2011 is \$285.6 million and \$328.8 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, 2012 and 2011 is \$281.1 million and 152.6% and \$318.0 million and 138.2%, 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. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. WCHCC's most recent actuarial evaluation was performed on January 1, 2012 and reported an actuarial accrued liability of \$281 million which was not funded.

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

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liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the 2012 and 2011 actuarial valuation, the frozen entry age actuarial cost method was used. The UAAL is amortized over a closed layered 30 year period using a level percentage of payroll. For 2012 the actuarial assumptions include a 4% discount rate, and an annual initial health trend rate of 8.2% for pre-65 and 5.0% for post-65, grading over ten years to an ultimate rate of 3.8% for pre-65 and 4.1% for post-65. 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.

9. Self-Insurance Liability

The following is the activity of the self-insurance liability for the years ended December 31, 2012 and 2011:

	December 31, 2011	Additions	Reductions	December 31, 2012	Amounts Due Within One Year
Workers' compensation self-insurance (a)	\$ 20,035,301	\$ 4,317,733	\$ (4,317,733)	\$ 20,035,301	\$ 5,000,000
Malpractice self-insurance (b)	92,076,504	13,060,221	(14,427,075)	90,709,650	17,000,000
Health insurance (c)	4,700,000	52,286,331	(52,286,331)	4,700,000	4,700,000
Other self-insurance (d)	410,000	700,000	(170,000)	940,000	290,000
	<u>\$ 117,221,805</u>	<u>\$ 70,364,285</u>	<u>\$ (71,201,139)</u>	<u>\$ 116,384,951</u>	<u>\$ 26,990,000</u>

	December 31, 2010	Additions	Reductions	December 31, 2011	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
Health insurance (c)	4,200,000	51,411,347	(50,911,347)	4,700,000	4,700,000
Other self-insurance (d)	605,000	160,000	(355,000)	410,000	305,000
	<u>\$ 118,047,630</u>	<u>\$ 80,497,662</u>	<u>\$ (81,323,487)</u>	<u>\$ 117,221,805</u>	<u>\$ 26,505,000</u>

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

WCHCC's workers' compensation liability consists of a self-insurance fund and coverage from a commercial insurance carrier under a claims-made basis. During the period June 1, 1999 through June 1, 2002, excess insurance coverage was purchased that attached at \$250,000 per occurrence with \$5,000,000 in annual aggregate coverage. For the period

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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>2012</u>	<u>2011</u>
Gross self-insurance liability	\$ 20,798,000	\$ 20,630,000
Present value of self-insurance liability	20,035,301	20,035,301
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 insured and/or reinsured the physicians and surgeons professional liability (PPL) through December 31, 2007.

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.

Outstanding projected liabilities are composed of estimates of the ultimate case value (indemnity and expenses) established by an independent case adjuster, 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% at December 31, 2012 and 2011.

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, 2012 and 2011 in favor of a ceding insurance company, as collateral for WCHCC Bermuda's reinsurance obligations. The letter of credit expires on July 1, 2013. At December 31, 2011, an additional letter of credit for the amount of \$2,380,000 was issued to provide surety on a large claim. The additional letter of

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credit was no longer necessary and subsequently cancelled on February 5, 2012. At December 31, 2012 and 2011, 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, 2012 and 2011, WCHCC Bermuda is required to maintain a minimum statutory capital and surplus of \$8,600,000. As of December 31, 2012 and 2011, actual statutory capital and surplus was approximately \$20,537,622 and \$11,919,640, respectively.

The malpractice self-insurance liabilities for the period 1998 to 2012 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% at December 31, 2012 and 2011.

HPL coverage is provided on an occurrence basis with coverage of \$12 million and \$7 million in 2012 and 2011, respectively, for each and every claim with no aggregate limit for the Medical Center and its employed physicians. The excess liability insurance policy attaches above the HPL and GL for the Medical Center and above each employed physician.

- c. WCHCC is self-insured for health insurance for all employees. Claims which have been incurred and incurred but not reported represent a liability to WCHCC at December 31, 2012 and 2011 and as such, a liability has been included in the accompanying Statement of Net Position.
- d. 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

WCHCC purchases certain services and utilities from the County. For the years ended December 31, 2012 and 2011, 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.

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

	<u>2012</u>	<u>2011</u>
Department of Public Works and maintenance service	\$ 5,688,081	\$ 6,366,479
General administration services	100,344	278,304
Other professional services	860,793	833,155
	<u>\$ 6,649,218</u>	<u>\$ 7,477,938</u>

The above costs are included in supplies and other expenses in the accompanying Statements of Revenues, Expenses, and Changes in Net Position.

11. Affiliation Agreement

WCHCC has an affiliation agreement with New York Medical College (the College), under the terms of which WCHCC pays the College for salaries and fringe benefits for supervisory physicians' services. For the years ended December 31, 2012 and 2011, the College was reimbursed approximately \$26,887,000 and \$28,765,000, respectively, which is included in supplies and other expenses in the accompanying Statements of Revenues, Expenses, and Changes in Net Position.

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, 2012 that have initial or remaining lease terms in excess of one year:

	<u>Rent Expense</u>	<u>Rent Income</u>
2013	\$ 14,084,000	\$ 2,297,000
2014	12,693,000	2,095,000
2015	11,719,000	1,352,000
2016	9,455,000	938,000
2017	1,700,000	537,000

Total rental expense in 2012 and 2011 for all operating leases was approximately \$17,300,000 and \$18,319,000, respectively. Total rental income in 2012 and 2011 for all operating leases was approximately \$2,296,000 and \$2,594,000, 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.

Westchester County Health Care Corporation
Notes to Financial Statements
December 31, 2012 and 2011

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

Effective January 1, 2008, 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.

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 credit support and additional guarantees of WCHCC's long-term debt at the discretion of the County, of which there was none as of December 31, 2012 and 2011.

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, 2012 and 2011:

	<u>December 31,</u> <u>2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31,</u> <u>2012</u>	<u>Amounts Due</u> <u>Within</u> <u>One Year</u>
Estimated third-party payor	\$ 54,598,477	\$ 4,088,290	\$ (24,339,918)	\$ 34,346,849	\$ 7,321,740

	<u>December 31,</u> <u>2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31,</u> <u>2011</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

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 though 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, 2012 and 2011

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, 2012 and 2011, WCHCC received distributions of \$8.1 million from the indigent care pool, which are included in net patient service revenue in the accompanying Statements of Revenues, Expenses and Changes in Net Position.

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 18% and 10%, respectively, of WCHCC's net patient service revenue for the year ended December 31, 2012 and 19% and 12%, respectively, for the year ended December 31, 2011. 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, 2012 and 2011

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 Position. In 2012 and 2011, WCHCC recorded \$64 million and \$70 million, respectively, 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, 2012 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, 2012 and 2011

WCHCC has one ongoing subpoena duces tecum from the Office of the Inspector General of the United States Department of Health and Human Services from 2007. 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 on a “rolling basis”. 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.

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.

On November 19, 2012, WCHCC entered into a Memorandum of Understanding (MOU) with Sound Shore Health System (SSHS) and Howe Avenue Nursing Home, Inc. (Nursing Home), to enter into an exclusive due diligence process with the goal of entering into a full asset merger of the licensed SSHS entities and the Nursing Home into WCHCC. The parties immediately commenced a formal due diligence process, which is ongoing as of this date, and are in the process of negotiating a definitive agreement.

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, 2012 and 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, 2012

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)
01/01/12	\$ -	\$ 281,128,000	\$ 281,128,000	0.0%	\$ 184,252,000	152.6%
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%

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

Westchester County Health Care Corporation
Supplementary Schedule - Combining Statement of Net Position Information
December 31, 2012

	Combined Westchester County Health Care Corporation	Children's Hospital Foundation	WMC Foundation	Eliminating Entries	Total Reporting Entity
Assets					
Cash and cash equivalents	\$ 184,878,289	\$ 3,754,656	\$ 2,218,749	\$ -	\$ 190,851,694
Patient accounts receivable, net	115,519,295	-	-	-	115,519,295
Investments	-	591,532	-	-	591,532
Assets restricted as to use, required for current liabilities	17,000,000	4,549,644	2,131,691	-	23,681,335
Other current assets	<u>28,453,013</u>	<u>374,165</u>	<u>61,810</u>	<u>(333,623)</u>	<u>28,555,365</u>
Total current assets	345,850,597	9,269,997	4,412,250	(333,623)	359,199,221
Assets restricted as to use, net	159,823,042	279,510	145,255	-	160,247,807
Capital assets, net	304,807,627	105	-	-	304,807,732
Other assets, net	20,560,506	-	-	-	20,560,506
Beneficial interest in Foundation net assets	<u>13,582,143</u>	<u>-</u>	<u>-</u>	<u>(13,582,143)</u>	<u>-</u>
Total assets	<u>844,623,915</u>	<u>9,549,612</u>	<u>4,557,505</u>	<u>(13,915,766)</u>	<u>844,815,266</u>
Liabilities					
Current portion of long-term debt	15,909,310	-	-	-	15,909,310
Accounts payable and accrued expenses	74,568,627	281,522	243,452	(333,623)	74,759,978
Accrued salaries and related withholdings	61,357,771	-	-	-	61,357,771
Current portion of estimated liability to third-party payors	7,321,740	-	-	-	7,321,740
Current portion of post retirement health insurance liability	11,614,000	-	-	-	11,614,000
Current portion of estimated self-insurance liability	26,990,000	-	-	-	26,990,000
Current portion of other liabilities	<u>5,515,236</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,515,236</u>
Total current liabilities	203,276,684	281,522	243,452	(333,623)	203,468,035
Long-term debt, net	441,751,530	-	-	-	441,751,530
Estimated liability to third-party payors, net	27,025,109	-	-	-	27,025,109
Estimated post retirement health insurance liability, net	59,899,000	-	-	-	59,899,000
Estimated self-insurance liability, net	89,394,951	-	-	-	89,394,951
Other liabilities, net	<u>28,618,068</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,618,068</u>
Total liabilities	<u>849,965,342</u>	<u>281,522</u>	<u>243,452</u>	<u>(333,623)</u>	<u>850,156,693</u>
Net Position					
Restricted					
Expendable for capital acquisitions	1,758,330	1,477,417	280,913	(1,758,330)	1,758,330
Expendable for specific operating activities	5,347,770	3,351,737	1,996,033	(5,347,770)	5,347,770
Invested in capital assets, net of related debt	11,355,716	105	-	-	11,355,821
Unrestricted	<u>(23,803,243)</u>	<u>4,438,831</u>	<u>2,037,107</u>	<u>(6,476,043)</u>	<u>(23,803,348)</u>
Total net position	<u>\$ (5,341,427)</u>	<u>\$ 9,268,090</u>	<u>\$ 4,314,053</u>	<u>\$ (13,582,143)</u>	<u>\$ (5,341,427)</u>

See Accompanying Report of Independent Certified Public Accountants.

Westchester County Health Care Corporation
Supplementary Schedule - Combining Statement of Net Position Information
December 31, 2011

	Combined Westchester County Health Care Corporation	Children's Hospital Foundation	WMC Foundation	Eliminating Entries	Total Reporting Entity
Assets					
Cash and cash equivalents	\$ 195,268,914	\$ 3,095,311	\$ 2,249,337	\$ -	\$ 200,613,562
Patient accounts receivable, net	113,507,034	-	-	-	113,507,034
Investments	-	587,296	-	-	587,296
Assets restricted as to use, required for current liabilities	17,000,000	4,026,964	1,975,068	-	23,002,032
Other current assets	26,983,111	186,585	74,851	(221,614)	27,022,933
Total current assets	352,759,059	7,896,156	4,299,256	(221,614)	364,732,857
Assets restricted as to use, net	160,616,556	549,080	-	-	161,165,636
Capital assets, net	307,242,323	317	-	-	307,242,640
Other assets, net	21,230,645	-	-	-	21,230,645
Beneficial interest in Foundation net assets	12,445,005	-	-	(12,445,005)	-
Total assets	854,293,588	8,445,553	4,299,256	(12,666,619)	854,371,778
Liabilities					
Current portion of long-term debt	14,153,135	-	-	-	14,153,135
Accounts payable and accrued expenses	72,265,945	103,705	177,306	(221,614)	72,325,342
Accrued salaries and related withholdings	59,080,138	-	-	-	59,080,138
Current portion of estimated liability to third-party payors	14,247,665	-	-	-	14,247,665
Current portion of post retirement health insurance liability	9,586,000	-	-	-	9,586,000
Current portion of estimated self-insurance liability	26,505,000	-	-	-	26,505,000
Current portion of other liabilities	4,712,362	18,793	-	-	4,731,155
Total current liabilities	200,550,245	122,498	177,306	(221,614)	200,628,435
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	90,716,805	-	-	-	90,716,805
Other liabilities, net	20,626,037	-	-	-	20,626,037
Total liabilities	859,861,303	122,498	177,306	(221,614)	859,939,493
Net Position					
Restricted					
Expendable for capital acquisitions	1,455,792	1,455,792	-	(1,455,792)	1,455,792
Expendable for specific operating activities	5,076,677	3,101,609	1,975,068	(5,076,677)	5,076,677
Invested in capital assets, net of related debt	15,703,108	317	-	-	15,703,425
Unrestricted	(27,803,292)	3,765,337	2,146,882	(5,912,536)	(27,803,609)
Total net position	\$ (5,567,715)	\$ 8,323,055	\$ 4,121,950	\$ (12,445,005)	\$ (5,567,715)

See Accompanying Report of Independent Certified Public Accountants.

Westchester County Health Care Corporation
Supplementary Schedule – Combining Statement of Revenues, Expenses,
and Changes in Net Position Information
Year Ended December 31, 2012

	Combined Westchester County Health Care Corporation	Children's Hospital Foundation	WMC Foundation	Eliminating Entries	Total Reporting Entity
Operating revenues					
Net patient service revenue	\$ 867,780,675	\$ -	\$ -	\$ -	\$ 867,780,675
Other revenue	23,110,012	2,639,555	1,329,070	(1,426,244)	25,652,393
Total operating revenues	<u>890,890,687</u>	<u>2,639,555</u>	<u>1,329,070</u>	<u>(1,426,244)</u>	<u>893,433,068</u>
Operating expenses					
Salaries and benefits	488,827,468	-	-	-	488,827,468
Supplies and other expenses	324,032,435	1,341,091	1,122,419	(322,287)	326,173,658
Professional liability	15,029,291	-	-	-	15,029,291
Depreciation and amortization	44,520,935	212	-	-	44,521,147
Total operating expenses	<u>872,410,129</u>	<u>1,341,303</u>	<u>1,122,419</u>	<u>(322,287)</u>	<u>874,551,564</u>
Operating income (loss)	18,480,558	1,298,252	206,651	(1,103,957)	18,881,504
Nonoperating activities					
Interest income	4,761,343	20,683	6,180	-	4,788,206
Interest expense	(23,443,422)	-	-	-	(23,443,422)
Income (loss) before capital contributions	(201,521)	1,318,935	212,831	(1,103,957)	226,288
Change in beneficial interest in Foundation net assets	33,181	-	-	(33,181)	-
Capital contributions	<u>394,628</u>	<u>(373,900)</u>	<u>(20,728)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	226,288	945,035	192,103	(1,137,138)	226,288
Net position					
Beginning of year	<u>(5,567,715)</u>	<u>8,323,055</u>	<u>4,121,950</u>	<u>(12,445,005)</u>	<u>(5,567,715)</u>
End of year	<u>\$ (5,341,427)</u>	<u>\$ 9,268,090</u>	<u>\$ 4,314,053</u>	<u>\$ (13,582,143)</u>	<u>\$ (5,341,427)</u>

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Westchester County Health Care Corporation
Supplementary Schedule – Combining Statement of Revenues, Expenses,
and Changes in Net Position Information
Year Ended December 31, 2011

	Combined Westchester County Health Care Corporation	Children's Hospital Foundation	WMC Foundation	Eliminating Entries	Total Reporting Entity
Operating revenues					
Net patient service revenue	\$ 859,728,521	\$ -	\$ -	\$ -	\$ 859,728,521
Other revenue	20,747,548	2,079,118	1,209,517	(1,679,782)	22,356,401
Total operating revenues	<u>880,476,069</u>	<u>2,079,118</u>	<u>1,209,517</u>	<u>(1,679,782)</u>	<u>882,084,922</u>
Operating expenses					
Salaries and benefits	502,347,639	-	-	-	502,347,639
Supplies and other expenses	290,290,459	1,663,893	1,172,271	(2,318,713)	290,807,910
Professional liability	23,105,934	-	-	-	23,105,934
Depreciation and amortization	42,551,643	351	-	-	42,551,994
Total operating expenses	<u>858,295,675</u>	<u>1,664,244</u>	<u>1,172,271</u>	<u>(2,318,713)</u>	<u>858,813,477</u>
Operating income	22,180,394	414,874	37,246	638,931	23,271,445
Nonoperating activities					
Interest income	3,822,296	34,374	11,433	-	3,868,103
Interest expense	(22,187,997)	-	-	-	(22,187,997)
Income before capital contributions	3,814,693	449,248	48,679	638,931	4,951,551
Change in beneficial interest in Foundation net assets	(1,356,242)	-	-	1,356,242	-
Capital contributions	2,493,100	(1,483,000)	(1,010,100)	-	-
Increase (decrease) in net position	4,951,551	(1,033,752)	(961,421)	1,995,173	4,951,551
Net position					
Beginning of year	(10,519,266)	9,356,807	5,083,371	(14,440,178)	(10,519,266)
End of year	<u>\$ (5,567,715)</u>	<u>\$ 8,323,055</u>	<u>\$ 4,121,950</u>	<u>\$ (12,445,005)</u>	<u>\$ (5,567,715)</u>

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