

Westchester County Health Care Corporation

**Basic Financial Statements and
Supplementary Schedules**
(With Management's Discussion and Analysis)
December 31, 2010 and 2009
(With Report of Independent Auditors' Thereon)

Westchester County Health Care Corporation

Index

December 31, 2010 and 2009

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Report of Independent Auditors

The Board of Directors
Westchester County Health Care Corporation

In our opinion, the accompanying combined balance sheets and the related combined statements of revenues, expenses, and changes in net assets (deficit), and of cash flows present fairly, in all material respects, the financial position of Westchester County Health Care Corporation and its component units ("WCHCC") at December 31, 2010 and 2009, and the changes in their financial position and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of WCHCC's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Management's Discussion and Analysis on pages 2 through 11 and the required supplementary information on page 43 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in schedules I through IV on pages 44 through 47 is presented for purposes of additional analysis rather than to present the financial position and the results of operations of the individual component units and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

May 5, 2011

Westchester County Health Care Corporation
Management's Discussion and Analysis (Unaudited)
December 31, 2010 and 2009

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, 2010, 2009, and 2008. The purpose is to provide an objective analysis of the financial activities of WCHCC based on currently known facts, decisions, and conditions. Please read it in conjunction with the basic financial statements, which follow this section.

Overview of the Basic Financial Statements

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

The basic financial statements (Balance Sheets, Statements of Revenues, Expenses, and Changes in Net Assets (Deficit), Statements of Cash Flows, and the Notes to the Financial Statements) present, on a comparative basis, the financial position of WCHCC at December 31, 2010 and 2009 and the changes in its financial position for the years then ended. These financial statements report information about WCHCC using accounting methods similar to those used by private-sector companies. The Balance Sheets include all of WCHCC's assets and liabilities. The Statements of Revenues, Expenses, and Changes in Net Assets (Deficit) reflect each year's activities on the accrual basis of accounting, where revenues and expenses are recorded when services are provided or obligations are incurred, not when cash is received or paid. The financial statements also report WCHCC's net deficit (the difference between assets and liabilities) and how that has changed. Net deficit is one way to measure financial health or condition. The Statements of Cash Flows provide relevant information about each year's cash receipts and cash payments and classify them as operating, noncapital financing, capital and related financing and investing activities. The Notes to the Financial Statements explain information in the financial statements and provide more detailed data.

Westchester County Health Care Corporation
Management's Discussion and Analysis (Unaudited)
December 31, 2010 and 2009

Financial Analysis
Summary of Assets, Liabilities, and Net Assets (Deficit)
December 31, 2010, 2009, and 2008

	<u>2010</u>	<u>2009</u>	<u>2008</u>	2010-2009 Percentage Change
Assets				
Current assets	\$ 318,585,457	\$ 304,716,399	\$ 278,526,057	4.6%
Capital assets	302,109,401	285,291,653	279,583,224	5.9
Other assets	147,262,747	110,860,171	97,280,933	32.8
Total assets	<u>\$ 767,957,605</u>	<u>\$ 700,868,223</u>	<u>\$ 655,390,214</u>	<u>9.6%</u>
Liabilities				
Current liabilities	\$ 199,783,740	\$ 264,228,639	\$ 275,164,618	(24.4)%
Long-term portion of debt	393,159,583	252,503,564	226,435,000	55.7
Other long-term liabilities	185,533,548	201,070,981	178,326,073	(7.7)
Total liabilities	<u>778,476,871</u>	<u>717,803,184</u>	<u>679,925,691</u>	<u>8.5%</u>
Net assets (deficit)				
Restricted	\$ 5,753,905	\$ 7,063,142	\$ 7,724,631	(18.5)%
Invested in capital assets, net of related debt	26,436,999	86,059,499	73,304,622	(69.3)
Unrestricted	(42,710,170)	(110,057,602)	(105,564,730)	61.2
Total net assets (deficit)	<u>\$ (10,519,266)</u>	<u>\$ (16,934,961)</u>	<u>\$ (24,535,477)</u>	<u>(37.9)%</u>

Westchester County Health Care Corporation
Management's Discussion and Analysis (Unaudited)
December 31, 2010 and 2009

Financial Analysis

Summary of Revenues, Expenses, and Changes in Net Assets (Deficit)
Years ended December 31, 2010, 2009, and 2008

	<u>2010</u>	<u>2009</u>	<u>2008</u>	2010-2009 Percentage Change
Operating revenues				
Net patient service revenue	\$ 863,279,781	\$ 851,138,239	\$ 804,932,957	1.4%
Other revenue	25,594,439	20,309,560	28,929,606	26.0
Total operating revenues	<u>888,874,220</u>	<u>871,447,799</u>	<u>833,862,563</u>	<u>2.0</u>
Operating expenses				
Salaries and benefits	453,867,889	432,596,045	418,765,161	4.9
Supplies and other expenses	354,551,639	377,162,306	354,178,308	(6.0)
Professional liability	24,892,385	18,331,216	31,367,163	35.8
Depreciation and amortization	39,919,753	35,806,349	31,486,124	11.5
Total operating expenses	<u>873,231,666</u>	<u>863,895,916</u>	<u>835,796,756</u>	<u>1.1</u>
Operating income (loss)	15,642,554	7,551,883	(1,934,193)	107.1
Nonoperating activities, net	<u>(9,226,859)</u>	<u>48,633</u>	<u>9,233,808</u>	<u>(19,072.4)</u>
Income before capital contributions	6,415,695	7,600,516	7,299,615	(15.6)
Capital contributions	<u>-</u>	<u>-</u>	<u>2,892,637</u>	<u>-</u>
Decrease in net deficit	6,415,695	7,600,516	10,192,252	(15.6)
Net deficit				
Beginning of year	<u>(16,934,961)</u>	<u>(24,535,477)</u>	<u>(34,727,729)</u>	<u>(31.0)</u>
End of year	<u>\$ (10,519,266)</u>	<u>\$ (16,934,961)</u>	<u>\$ (24,535,477)</u>	<u>(37.9)%</u>

Westchester County Health Care Corporation
Management's Discussion and Analysis (Unaudited)
December 31, 2010 and 2009

Overall Financial Position and Operations

WCHCC reported operating income of \$15.6 million and \$7.6 million, and an operating loss of \$1.9 million for the years ended December 31, 2010, 2009, and 2008, respectively. WCHCC's net deficit decreased \$6.4 million from December 31, 2009 to December 31, 2010 and \$7.6 million from December 31, 2008 to December 31, 2009.

Significant financial indicators are as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating income (loss) (in millions)	\$ 15.6	\$ 7.6	\$ (1.9)
Current ratio	1.5	1.2	1.0
Quick ratio	1.5	1.1	1.0
Days cash on hand	73.5	72.0	53.0

Analysis of Financial Position

In this section, WCHCC management provides our analysis of December 31, 2010 financial amounts, compared to December 31, 2009, and, where appropriate, December 31, 2009 financial amounts, compared to December 31, 2008.

Assets and Liabilities

Cash and Cash Equivalents

The cash position increased \$4.5 million at December 31, 2010 compared to December 31, 2009 and increased approximately \$46.7 million at December 31, 2009, compared to December 31, 2008, due to increased net patient service revenue from increased reimbursement rates and Disproportionate Share payments (DSH payments). The positive cash flow during 2009 enabled WCHCC to reduce vendor payables by \$16.7 million.

Patient Accounts Receivable, Net

Patient accounts receivable reflected days outstanding of 44.1, 38.6, and 44.4 at December 31, 2010, 2009, and 2008, respectively. The increase in days outstanding at December 31, 2010 compared to December 31, 2009 is the result of a slowdown in payments received from certain governmental payors, managed care payors and commercial payors and increased accounts receivable related to the expansion of the Westchester Medical Center Advanced Physician Services P.C. The reduction in the amount of time needed to collect accounts receivable at December 31, 2009 compared to December 31, 2008 resulted from process improvements in billing and collecting patient revenue since 2006.

Investments

Investments decreased \$0.7 million from December 31, 2009 to December 31, 2010 due to the liquidation of corporate bonds to cash and cash equivalents and increased \$0.8 million from December 31, 2008 to December 31, 2009 due to the purchase of corporate bonds.

Other Current Assets

Other current assets decreased \$5.3 million from December 31, 2009 to December 31, 2010 primarily due to the reduction in receivables from the County and reinsurance claims and decreased \$5.1 million from December 31, 2008 to December 31, 2009 primarily due to collections on grants receivable during 2009.

Westchester County Health Care Corporation
Management's Discussion and Analysis (Unaudited)
December 31, 2010 and 2009

Assets Restricted as to Use

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

Assets restricted as to use increased \$11.7 million from December 31, 2008 to December 31, 2009. The net change is primarily the result of an increase of investments held by WCHCC Bermuda, the self insurance captive.

Capital Assets

WCHCC's capital additions, consisting of various capital projects and medical equipment purchases, in 2010 were \$56.4 million offset by depreciation expense of \$39.6 million. WCHCC's capital additions in 2009 were \$41.2 million offset by depreciation expense of \$35.5 million.

Capital assets increased \$16.8 million from December 31, 2009 to December 31, 2010 and \$5.7 million from December 31, 2008 to December 31, 2009 due to increased capital expenditures during 2010 and 2009, respectively.

Notes Payable

Notes payable decreased \$63.0 million from December 31, 2009 to December 31, 2010 due to the repayment of the note and remained consistent from December 31, 2008 to December 31, 2009.

Accounts Payable and Accrued Expenses

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

Accounts payable and accrued expenses decreased \$16.7 million from December 31, 2008 to December 31, 2009 due to a decrease in vendor payables as a result of the improved cash position.

Accrued Salaries and Related Withholdings

Accrued salaries and related withholdings increased \$6.3 million from December 31, 2009 to December 31, 2010 and increased \$5.2 million from December 31, 2008 to December 31, 2009 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, 2011 and February 1, 2010, respectively, as a result of increased contribution rates.

Other Current Liabilities

Other current liabilities decreased \$21.4 million from December 31, 2009 to December 31, 2010 and decreased \$1.5 million from December 31, 2008 to December 31, 2009 primarily reflecting decreases in the current portion of third-party payors liabilities.

Long-Term Debt

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

Westchester County Health Care Corporation
Management's Discussion and Analysis (Unaudited)
December 31, 2010 and 2009

Long-term debt increased \$28.1 million from December 31, 2008 to December 31, 2009 primarily due to WCHCC obtaining a loan for \$30 million and capital leases of approximately \$6.5 million, which were partially offset by principal payments.

Other Long-Term Liabilities

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

Other long-term liabilities increased approximately \$22.7 million from December 31, 2008 to December 31, 2009 primarily due to increases of \$11.7 million for post retirement health insurance liability, insurance reserves of \$4.8 million, and \$6.2 million for identified contingencies related to managed care payors, Medicare and Medicaid.

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

Net Patient Service Revenue

Net patient service revenue increased \$12.1 million from 2009 to 2010. The increases included increased inpatient and outpatient payment rates of \$22.2 million and \$14.1 million of physician revenue, partially offset by reductions in patient volume of \$ 15.1 million; commercial case mix decreases of \$3.0 million; the reduction of \$1.8 million of skilled nursing revenue due to the closing during 2009 of the Taylor Care Center nursing home and a reduction of \$4.2 million due to the termination of the Westchester County corrections contract during 2010.

Net patient services revenue increased \$46.2 million from 2008 to 2009. The increases included increased inpatient and outpatient payment rates of \$53.0 million and patient volume increases of \$10.0 million, partially offset by commercial case mix decreases of \$1.0 million and the reduction of \$15.8 million of skilled nursing revenue due to the closing during 2009 of the Taylor Care Center nursing home.

Other Revenue

Other revenue increased \$5.3 million from 2009 to 2010 as the result of various non-recurring revenues during 2010.

Other revenue decreased \$8.6 million from 2008 to 2009 as a result of a decrease in grant revenue of \$4.5 million, a decrease in Health Workforce Recruitment and Retention awards of \$1.7 million, a decrease in contribution revenue of \$1.1 million and a decrease in other miscellaneous operating revenue of \$1.3 million.

Salaries and Benefits

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

Westchester County Health Care Corporation
Management's Discussion and Analysis (Unaudited)
December 31, 2010 and 2009

Salaries and benefits increased \$13.8 million from 2008 to 2009. The increases consist of \$5.2 million in salary expense that reflect increases in average full time equivalents (FTEs) to fill vacancies and agency positions, and severance costs for a voluntary reduction in force. In addition, benefit costs increased by \$8.6 million as the result of increases in FICA, health insurance and NYSLRS contributions due to the increase in FTEs and contribution rates.

Supplies and Other Expenses

Supplies and other expenses decreased approximately \$22.6 million from 2009 to 2010 primarily due to:

- Decrease in Disproportionate Share payments to Westchester County (the County) of \$15.5 million.
- Decreases in payment to New York Medical College of \$5.4 million related to a decrease in services provided.
- Decrease in medical/surgical supplies costs of \$5.1 million due to a focused effort in reducing supply costs.
- Decrease in County services of \$4.6 million.
- Decrease in contractual services of \$2.2 million due to cost savings on renewed contracts.
- Increase in technical services of \$4.2 million due to an increase in physician agreements during 2010.
- Increase in equipment service and repairs of \$2.6 million for medical equipment.
- Increase in other expenses of \$3.4 million.

Supplies and other expenses increased approximately \$23.0 million from 2008 to 2009 primarily due to:

- Increase in Disproportionate Share payments to Westchester County (the County) of \$31.7 million.
- Increase in assessments of \$1.9 million as a result of increased net patient service revenue.
- Increases in payments to New York Medical College of \$1.5 million related to an increase in services provided.
- Increase in other expenses of \$0.7 million, primarily related to non-malpractice insurance costs.
- Decrease in medical/surgical supplies costs of \$2.1 million due to a focused effort in reducing supply costs.
- Decrease in technical services of \$3.5 million due to a decrease in consulting service contracts during 2009.
- Decrease in contractual services of \$2.2 million.

Westchester County Health Care Corporation
Management's Discussion and Analysis (Unaudited)
December 31, 2010 and 2009

- Decrease in County services of \$5.0 million.

Professional Liability

Professional liability insurance costs increased \$6.6 million from 2009 to 2010 due to an insurance refund received in 2009 which reduced 2009 cost, and decreased \$13.0 million from 2008 to 2009 due to that same insurance refund as well as a decrease in premiums for the WCHCC Bermuda captive.

Depreciation and Amortization Expense

Depreciation and amortization expense increased \$4.1 million from 2009 to 2010 and \$4.3 million from 2008 to 2009 due a significant increase in capital additions in 2010 and 2009.

Nonoperating Activities, Net

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

Nonoperating activities, net decreased \$9.2 million from 2008 to 2009 primarily due to decreased interest income of \$3.7 million and decreased County services of \$6.2 million.

Capital Contributions

Capital contributions remained consistent from 2009 to 2010 and decreased \$2.9 million from 2008 to 2009 due to the decrease in contributions from the County.

Net Assets (Deficit)

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

- Invested in capital assets, net of related debt
- Restricted
- Unrestricted

Invested in Capital Assets, Net of Related Debt

Decreased from \$86.1 million at December 31, 2009 to \$26.4 million at December 31, 2010, primarily due to the new bond issue and related increase in debt of \$112.9 million as compared to a net \$53.2 million increase in capital and assets funded by the related debt.

Increased from \$73.3 million at December 31, 2008 to \$86.1 million at December 31, 2009, primarily due to the principal repayments on debt of \$7.4 million and capital asset purchases, consisting of various capital projects and medical equipment purchases, net of depreciation expense of approximately \$5.4 million.

Restricted

Decreased \$1.3 million from December 31, 2009 to December 31, 2010 and decreased \$0.7 million from December 31, 2008 to December 31, 2009 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, 2010 and 2009

Unrestricted

Unrestricted net deficit decreased by \$67.4 million, to \$42.7 million at December 31, 2010 from \$110.1 million at December 31, 2009. Unrestricted net deficit decreased primarily due to a decrease in investment in capital assets of \$59.6 million, income before capital contributions of \$6.4 million and a decrease in restricted net assets of \$1.3 million.

Unrestricted net deficit increased by \$4.5 million, to \$110.1 million at December 31, 2009 from \$105.6 million at December 31, 2008. Unrestricted net deficit increased primarily due to an increase in investment in capital assets of \$12.8 million partially offset by income before capital contributions of \$7.6 million and a decrease in restricted net assets of \$0.7 million.

Capital Assets and Long-Term Debt Activity

Capital Assets

At December 31, 2010, WCHCC had capital assets, net of accumulated depreciation, of \$302.1 million, compared to \$285.3 million at December 31, 2009 and \$279.6 million at December 31, 2008. Major categories of capital assets are set forth in the table below:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Land and land improvements	\$ 1,698,312	\$ 1,721,464	\$ 1,918,261
Buildings and building improvements	197,525,824	195,275,144	187,162,026
Equipment	90,928,733	82,541,363	68,736,530
Construction in progress	11,956,532	5,753,682	21,766,407
	<u>\$ 302,109,401</u>	<u>\$ 285,291,653</u>	<u>\$ 279,583,224</u>

WCHCC's capital additions in 2010 were \$56.4 million, consisting of various capital projects and medical equipment purchases, offset by depreciation expense of \$39.6 million. WCHCC's capital additions in 2009 were \$41.2 million, consisting of various capital projects and medical equipment purchases, offset by depreciation expense of \$35.5 million.

More detailed information about WCHCC's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At December 31, 2010, WCHCC had \$403.5 million in total long-term debt outstanding, as shown with comparative amounts at December 31, 2009 and December 31, 2008:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
2000 Series Bonds	\$ 113,240,000	\$ 223,060,000	\$ 230,170,000
2002 Series Bonds	-	3,375,000	3,640,000
2010 Series Bonds	283,390,000	-	-
Loan Agreement	-	30,000,000	-
Capital Leases	6,831,444	5,467,016	-
	<u>\$ 403,461,444</u>	<u>\$ 261,902,016</u>	<u>\$ 233,810,000</u>

Westchester County Health Care Corporation
Management's Discussion and Analysis (Unaudited)
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Long-term debt increased \$141.6 million from December 31, 2009 to December 31, 2010 due to a new bond offering and new capital leases partially offset by the defeasance of certain bonds and repayment of the loan, and increased \$28.1 million from December 31, 2008 to December 31, 2009 due to a new loan agreement and new capital leases partially offset by principal payments on bonds.

More detailed information about WCHCC's long-term debt is presented in note 5 to the financial statements.

Contacting WCHCC's Financial Management

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

Westchester County Health Care Corporation
Combined Balance Sheets
December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 167,794,537	\$ 163,293,182
Patient accounts receivable, net	104,226,191	89,925,449
Investments	580,921	1,320,325
Assets restricted as to use, required for current liabilities	22,348,132	21,227,819
Other current assets	23,635,676	28,949,624
Total current assets	<u>318,585,457</u>	<u>304,716,399</u>
Assets restricted as to use, net of current portion	128,662,294	99,326,169
Capital assets, net	302,109,401	285,291,653
Other assets, net	18,600,453	11,534,002
Total assets	<u>\$ 767,957,605</u>	<u>\$ 700,868,223</u>
Liabilities and Net Assets (Deficit)		
Current liabilities:		
Current portion of long-term debt	\$ 10,301,861	\$ 9,398,452
Notes payable	-	63,000,000
Accounts payable and accrued expenses	76,032,585	63,358,658
Accrued salaries and related withholdings	61,326,264	54,979,941
Current portion of estimated liability to third-party payors	12,328,614	24,077,005
Current portion of post retirement health insurance liability	8,435,000	6,000,000
Current portion of estimated self-insurance liability	20,775,000	20,500,000
Other current liabilities	10,584,416	22,914,583
Total current liabilities	<u>199,783,740</u>	<u>264,228,639</u>
Long-term debt	393,159,583	252,503,564
Estimated liability to third-party payors	46,082,882	64,082,997
Estimated post retirement health insurance liability	46,378,036	43,569,883
Estimated self-insurance liability	93,072,630	93,418,101
Total liabilities	<u>778,476,871</u>	<u>717,803,184</u>
Commitments and contingencies		
Net assets (deficit):		
Restricted		
Expendable for capital acquisitions	1,447,150	1,436,549
Expendable for specific operating activities	4,306,755	5,626,593
Invested in capital assets, net of related debt	26,436,999	86,059,499
Unrestricted	<u>(42,710,170)</u>	<u>(110,057,602)</u>
Total net assets (deficit)	<u>(10,519,266)</u>	<u>(16,934,961)</u>
Total liabilities and net assets (deficit)	<u>\$ 767,957,605</u>	<u>\$ 700,868,223</u>

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

Westchester County Health Care Corporation
Combined Statements of Revenues, Expenses, and Changes in Net Assets (Deficit)
Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating revenues		
Net patient service revenue (net of provision for bad debts of \$49,476,099 and \$32,026,096 in 2010 and 2009, respectively)	\$ 863,279,781	\$ 851,138,239
Other revenue	25,594,439	20,309,560
Total operating revenues	<u>888,874,220</u>	<u>871,447,799</u>
Operating expenses		
Salaries and benefits	453,867,889	432,596,045
Supplies and other expenses	354,551,639	377,162,306
Professional liability	24,892,385	18,331,216
Depreciation and amortization	<u>39,919,753</u>	<u>35,806,349</u>
Total operating expenses	<u>873,231,666</u>	<u>863,895,916</u>
Operating income	15,642,554	7,551,883
Nonoperating activities, net		
Increase in net assets (deficit)	<u>(9,226,859)</u>	<u>48,633</u>
	6,415,695	7,600,516
Net assets (deficit)		
Beginning of year	<u>(16,934,961)</u>	<u>(24,535,477)</u>
End of year	<u>\$ (10,519,266)</u>	<u>\$ (16,934,961)</u>

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

Westchester County Health Care Corporation
Combined Statements of Cash Flows
Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Cash received from patients and third-party payors	\$ 819,230,533	\$ 867,822,745
Other receipts	31,229,577	23,881,970
Cash paid to employees for salaries and benefits	(442,278,413)	(415,639,125)
Cash paid for supplies and other expenses	(385,967,395)	(398,336,018)
Net cash provided by operating activities	<u>22,214,302</u>	<u>77,729,572</u>
Cash flows from noncapital financing activities		
Proceeds from contributions restricted for specific operating activities	4,816,464	3,556,934
County support	-	9,716,614
Net cash provided by noncapital financing activities	<u>4,816,464</u>	<u>13,273,548</u>
Cash flows from capital and related financing activities		
Purchase of capital assets	(46,378,343)	(40,383,446)
Proceeds from issuance of long-term debt	283,390,000	30,000,000
Repayments of principal on long-term debt	(144,941,212)	(8,439,330)
Repayments of notes payable	(63,000,000)	-
Increase in deferred financing costs	(7,713,756)	-
Interest paid	(12,518,109)	(13,138,195)
Net cash provided by (used in) capital and related financing activities	<u>8,838,580</u>	<u>(31,960,971)</u>
Cash flows from investing activities		
Purchase of assets restricted as to use	(73,604,519)	(43,081,008)
Sales of assets restricted as to use	38,331,617	27,820,057
Purchases of investments	-	(752,639)
Sale of investments	739,404	-
Interest received	3,165,507	3,694,093
Net cash used in investing activities	<u>(31,367,991)</u>	<u>(12,319,497)</u>
Net increase in cash and cash equivalents	4,501,355	46,722,652
Cash and cash equivalents		
Beginning of year	163,293,182	116,570,530
End of year	<u>\$ 167,794,537</u>	<u>\$ 163,293,182</u>
Supplemental disclosure of cash flow information		
Amounts accrued for purchase of capital assets	\$ 6,922,403	\$ 5,371,030
Assets acquired under capital leases	<u>\$ 3,110,640</u>	<u>\$ 6,531,346</u>

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

Westchester County Health Care Corporation
Combined Statements of Cash Flows (continued)
Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 15,642,554	\$ 7,551,883
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	39,919,753	35,806,349
Provision for bad debts, net	49,476,099	32,026,096
Changes in assets and liabilities		
Patient accounts receivable	(63,776,841)	(24,380,896)
Other assets	5,635,138	3,572,410
Accounts payable and accrued expenses	5,751,524	(11,363,680)
Accrued salaries and related withholdings	6,346,323	5,228,866
Estimated liabilities to third-party payors, net	(29,748,506)	9,039,306
Estimated post-retirement health insurance liability	5,243,153	11,728,054
Estimated self-insurance liability	(70,471)	4,308,761
Other current liabilities	(12,204,424)	4,212,423
Net cash provided by operating activities	<u>\$ 22,214,302</u>	<u>\$ 77,729,572</u>

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

Westchester County Health Care Corporation
Notes to Combined Financial Statements
December 31, 2010 and 2009

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) and Taylor Care Center (operating units of WCHCC) with the flexibility to cope with a rapidly changing health care environment, to become more competitive, and to provide the County and area residents with quality health care in an efficient and progressive manner. A 15-member board was appointed in July 1997, and WCHCC began operations on January 1, 1998. WCHCC is a component unit of the County. In 2009, WCHCC closed Taylor Care Center effective April 1, 2009.

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, in which WCHCC holds 100% of the stock interest or is the sole voting member:

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

WCHCC is the sole voting member of the Children's Hospital Foundation. The Children's Hospital Foundation was formed in March 1997. The primary focus of the Children's Hospital Foundation to date has been the fund-raising campaign relating to the construction and operation of the Maria Fareri Children's Hospital and Trauma Center. The Children's Hospital Foundation is a tax-exempt organization under Section 501(c)(3) of the Code. 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 WMC Foundation is a tax-exempt organization under Section 501(c)(3) of the Code. 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 Westchester Medical Center 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.

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In addition to its ownership interest in WCHCC Bermuda, WMC New York owns 100% of the member interest in WIMS, LLC (WIMS), a New York limited liability company. WIMS was formed for the purpose of operating a multimodality, outpatient imaging facility, the operations of which have been recorded in the accompanying financial statements as a blended component unit.

Effective December 2007, WIMS ceased operations and WCHCC incorporated the operations of the site into their outpatient radiology program. WIMS was dissolved in November 2009.

- 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 and is a subsidiary of WCHCC. The primary focus of WMC Advanced Physician Services is to employ physicians engaged in the profession of medicine. The financial position and operating results of WMC Advanced Physician Services have been recorded in the accompanying financial statements of WCHCC as a blended component unit.

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

2. Significant Accounting Policies

Basis of Presentation

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

WCHCC's financial statements are prepared in accordance with all relevant Governmental Accounting Standards Board (GASB) pronouncements. Additionally, as allowed by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, WCHCC follows all relevant Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins, including those issued after November 30, 1989, except to the extent that they conflict with GASB pronouncements. In June 2009, The FASB issued guidance that eliminates the hierarchy of authoritative accounting and reporting guidance on nongovernmental entities and replaced it with a single authoritative source, the FASB Accounting Standards CodificationTM (the "ASC"). The ASC affects the way in which users refer to GAAP and perform accounting research, but does not change GAAP. This standard was effective for the Hospital's 2009 financial statements.

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

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Notes to Combined Financial Statements
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liabilities and post retirement health insurance liabilities. Actual results may differ from those estimates.

Revisions to previously recorded estimates of third party payor liabilities and postretirement health insurance liabilities for the year ended December 31, 2010 resulted in an increase in operating income of \$35.5 million. Revisions to previously recorded estimates of third party payor liabilities resulted in an increase in operating income of \$9.0 million for the year end December 31, 2009.

Patient Accounts Receivable and Net Patient Service Revenue

Accounts receivable from patients and third-party payors at December 31, 2010 and 2009, respectively, was composed of Medicare, 13% and 15%; Medicaid, 18% and 21%; and commercial insurance and health maintenance organizations, 48% and 32%, respectively. Patient accounts receivable are recorded net of allowances for estimated uncollectible accounts of \$49.5 million and \$32.0 million at December 31, 2010 and 2009, respectively. Most of WCHCC's net patient service revenues are derived from third-party payment programs, including Medicare and Medicaid.

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

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.

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

Grants and Contributions

From time to time, WCHCC receives grants from the local, state and federal government as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as other revenue. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses. At December 31, 2010 and 2009, net contribution and grants receivables of approximately \$2,413,000 and \$1,377,000, respectively, are included in the accompanying Balance Sheets.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash, repurchase agreements, U.S. Treasury obligations, and time deposits with maturities of three months or less at the date of purchase.

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.

Inventories

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

Capital Assets

In connection with the establishment of the public benefit corporation in 1997, WCHCC recorded buildings, fixed equipment, and land received from the County at book value. Capital assets acquired subsequent to the establishment of the public benefit corporation are recorded at cost.

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

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

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Net Assets (Deficit)

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

Concentrations of Credit Risk

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

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

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.

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. These records include the charges foregone to provide charity care. During the years ended December 31, 2010 and 2009, charity care charges amounted to approximately \$39,150,000 and \$24,390,000, respectively. In addition, management also believes that a substantial portion of its provision for bad debts represents additional 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 WCHCC Holdings, Inc. and WMC Advanced Physician Services. Income taxes of WCHCC's for-profit blended component units are not material to the financial statements.

Compensated Absences

WCHCC employees earn vacation days at varying rates depending on years of service and union affiliation. Vacation days accumulate and are payable upon separation. Employees also earn sick leave benefits based upon varying rates depending upon years of service and union affiliation. Employees are not paid for accumulated sick leave if they leave before retirement. However, employees who retire from WCHCC may convert accumulated sick leave to termination payments at varying rates, depending on the employee's union contract. The estimated amount of vacation and sick leave payable as termination payments or upon retirement is recorded as part of accrued salaries and related benefits in the accompanying Balance Sheets in 2010 and 2009.

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Impairment of Long-Lived Assets

Long-lived assets and certain identifiable intangibles are evaluated annually for impairment and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the undiscounted future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets utilizing the discounted cash flow method. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to dispose.

Costs of Borrowing

Deferred financing fees, included as other long-term assets, of approximately \$16.7 million and \$9.1 million as of December 31, 2010 and 2009, respectively, are being amortized over the period the related obligation is outstanding using the interest method. These costs include legal, financing, and placement fees associated with the issuance of long-term debt. Accumulated amortization as of December 31, 2010 and 2009 was approximately \$3,609,000 and \$3,282,000, respectively.

Fair Value Measurement and Disclosure Authoritative Guidance

The fair value measurement and disclosure authoritative guidance defines fair value and establishes a framework for measuring fair value under generally accepted accounting principles. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement and disclosure authoritative guidance also establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon whether the inputs to the valuation of an asset or liability are observable or unobservable in the market at the measurement date, with quoted market prices being the highest level (Level 1) and unobservable inputs being the lowest level (Level 3). A fair value measurement will fall within the level of the hierarchy based on the lowest level of input that is significant to determining such measurement. The three levels are:

Level 1: Observable inputs to the valuation methodology that are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Observable inputs to the valuation methodology other than quoted market prices (unadjusted) for identical assets and liabilities in active markets. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical assets in markets that are not active and inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable for the asset or liability.

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In the case of investments, where WCHCC uses quoted market prices to determine fair value, such items are classified within level 1. In cases where a current market price may be difficult to determine, e.g., because particular securities are thinly traded and did not trade on the measurement date, the price of the investment will be based on acceptable practical expedients such as matrix pricing, in which case the investments are classified within Level 2.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques. The three valuation techniques are:

- Market approach (M) - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- Cost approach (C) - Amount that would be required to replace the service capacity of an asset (i.e. replacement cost); and
- Income approach (I) - Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

Fair Value of Financial Instruments

WCHCC's assets restricted as to use consist primarily of cash and cash equivalents, United States Treasury Obligations and United States Government Agency Securities, which are stated at fair value in the Balance Sheets. The carrying amounts reported in the Balance Sheets for cash and cash equivalents, patient accounts receivable, accounts payable and accrued expenses, and estimated payables and receivables due to and from third-party payors approximate their fair value. The carrying amounts of WCHCC's notes payable approximate fair value based upon their variable interest rates. The carrying amounts and fair value of WCHCC's bonds approximate \$396,630,000 and \$393,028,000, respectively, at December 31, 2010 and \$226,435,000 and \$223,675,000, respectively, at December 31, 2009.

Reclassifications

Certain prior year amounts have been reclassified to conform with current year presentation.

Westchester County Health Care Corporation
Notes to Combined Financial Statements
December 31, 2010 and 2009

3. Assets Restricted as to Use

Assets restricted as to use consist of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Restricted		
The Westchester Medical Center Foundation, Inc.	\$ 1,443,998	\$ 1,444,516
The Children's Hospital Foundation at WMC, Inc.	5,746,981	3,790,547
	<u>7,190,979</u>	<u>5,235,063</u>
Under debt agreements		
Debt service reserve funds	33,700,987	21,016,294
Construction funds	16,709,050	-
Other	817,720	720,000
	<u>51,227,757</u>	<u>21,736,294</u>
Self-insurance funds		
Offshore insurance captive	92,591,690	93,582,631
	151,010,426	120,553,988
Less portion required for current liabilities	<u>22,348,132</u>	<u>21,227,819</u>
Assets restricted as to use, long term	<u>\$ 128,662,294</u>	<u>\$ 99,326,169</u>

WCHCC's investments are reported at fair value, as described in Note 2. At December 31, 2010 and 2009, the composition of assets restricted as to use consisted of the following:

	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 14,126,584	\$ 31,199,723
United States Government agency securities	90,014,421	53,498,097
Asset-backed securities	-	14,270,350
Corporate bonds	45,730,166	20,142,246
Other	1,139,255	1,443,572
	<u>\$ 151,010,426</u>	<u>\$ 120,553,988</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.

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At December 31, 2010 and 2009, WCHCC's financial instruments measured at fair value were categorized between Levels 1, 2 and 3 as follows:

<u>2010</u>	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total	Valuation Technique
Cash and cash equivalents United States	\$ 14,126,584	\$ -	\$ -	\$ 14,126,584	M
Government agency securities	46,623,233	43,391,188	-	90,014,421	M
Corporate bonds	45,730,166	-	-	45,730,166	M
Other	1,139,255	-	-	1,139,255	M
	<u>\$ 107,619,238</u>	<u>\$ 43,391,188</u>	<u>\$ -</u>	<u>\$ 151,010,426</u>	

<u>2009</u>	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total	Valuation Technique
Cash and cash equivalents United States	\$ 31,199,723	\$ -	\$ -	\$ 31,199,723	M
Government agency securities	878,349	52,619,748	-	53,498,097	M
Asset-backed securities	-	14,270,350	-	14,270,350	M
Corporate bonds	20,142,246	-	-	20,142,246	M
Other	1,443,572	-	-	1,443,572	M
	<u>\$ 53,663,890</u>	<u>\$ 66,890,098</u>	<u>\$ -</u>	<u>\$ 120,553,988</u>	

4. Capital Assets

Capital assets are summarized as follows at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>	<u>Estimated Useful lives</u>
Land and land improvements	\$ 8,439,218	\$ 8,238,652	10 years
Buildings and building improvements	386,490,983	369,611,422	5-40 years
Equipment	333,446,815	300,318,406	5-20 years
	<u>728,377,016</u>	<u>678,168,480</u>	
Less accumulated depreciation and amortization	438,224,147	398,630,509	
	<u>290,152,869</u>	<u>279,537,971</u>	
Construction in progress	11,956,532	5,753,682	
Capital assets, net	<u>\$ 302,109,401</u>	<u>\$ 285,291,653</u>	

Included in land and land improvements is approximately \$313,000 in land as of December 31, 2010 and 2009. Construction in progress relates to various capital projects. The additional costs to complete such projects are anticipated to aggregate approximately \$20.0 million as of December 31, 2010.

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Included in capital assets is capitalized interest, net of accumulated amortization, of approximately \$15,679,000 and \$16,462,000 as of December 31, 2010 and 2009, respectively. The book value of capital leases held under lease obligations is approximately \$6,831,000 and \$5,467,000 as of December 31, 2010 and 2009, respectively.

Capital asset activity for the years ended December 31, 2010 and 2009 was as follows:

	Land and land improvements	Buildings and building improvements	Equipment	Construction in progress	Total
December 31, 2008 balance	\$ 8,228,007	\$ 347,987,504	\$ 265,062,702	\$ 21,766,407	\$ 643,044,620
Acquisitions, net of transfers	10,645	21,768,918	35,417,954	(16,012,725)	41,184,792
Retirements	-	(145,000)	(162,250)	-	(307,250)
December 31, 2009 balance	\$ 8,238,652	\$ 369,611,422	\$ 300,318,406	\$ 5,753,682	\$ 683,922,162
Acquisitions, net of transfers	200,566	16,879,561	33,128,409	6,202,850	56,411,386
Retirements	-	-	-	-	-
December 31, 2010 balance	\$ 8,439,218	\$ 386,490,983	\$ 333,446,815	\$ 11,956,532	\$ 740,333,548

Related information on accumulated depreciation for the years ended December 31, 2010 and 2009 was as follows:

	Land and Land Improvements	Buildings and Building Improvements	Equipment	Total
December 31, 2008 balance	\$ 6,309,746	\$ 160,825,478	\$ 196,326,172	\$ 363,461,396
Depreciation expense	207,442	13,655,800	21,613,121	35,476,363
Retirements	-	(145,000)	(162,250)	(307,250)
December 31, 2009 balance	\$ 6,517,188	\$ 174,336,278	\$ 217,777,043	\$ 398,630,509
Depreciation expense	223,718	14,628,879	24,741,041	39,593,638
Retirements	-	-	-	-
December 31, 2010 balance	\$ 6,740,906	\$ 188,965,157	\$ 242,518,084	\$ 438,224,147

Westchester County Health Care Corporation
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5. Long-Term Debt

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

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

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

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

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

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

WCHCC has granted a collateral interest in its gross receipts as well as pledged all funds and accounts established with respect to the Series 2000 Bonds, including a debt service reserve fund of approximately \$15,860,000 as of December 31, 2010 (see note 3).

Under Section 6.13(a) of the Series 2000 Bonds Master Trust Indenture (MTI) between WCHCC and the Bank of New York as the Master Trustee (subsequently changed to Deutsche Bank as the Master Trustee), the Obligated Group, which is defined as the operating unit of Westchester County Health Care Corporation (the Medical Center), must maintain a Long-Term Debt Service Coverage Ratio, tested on a semiannual basis in accordance with the provisions of the MTI, of at least 1.25 for the Series 2000 Bonds. For the year ended December 31, 2010 and December 31, 2009, WCHCC met the required Long-Term Debt Service Coverage Ratio.

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

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

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

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

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

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

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

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

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

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

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

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

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

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The proceeds of the Series 2010 Bonds and Series 2010D Bonds, together with available funds, have and are being used to: (i) finance certain capital projects at WCHCC's facilities that require certificates of need from the Department of Health of the State of New York and (ii) pay costs related to the issuance of the Series 2010A Bonds and Series 2010D Bonds.

WCHCC has granted a collateral interest in its gross receipts, as well as pledged all funds and accounts established with respect to the Series 2010 Bonds and Series 2010D Bonds, including a debt service reserve fund of approximately \$18,697,000 as of December 31, 2010 (see note 3).

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

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

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

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

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

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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, 2010, are as follows:

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

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

6. Notes Payable

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

	<u>December 31, 2009 Balance</u>	<u>Additions</u>	<u>Repayments</u>	<u>December 31, 2010 Balance</u>	<u>Amounts Due Within One year</u>
Notes payable	\$ 63,000,000	\$ -	\$ (63,000,000)	\$ -	\$ -

	<u>December 31, 2008 Balance</u>	<u>Additions</u>	<u>Repayments</u>	<u>December 31, 2009 Balance</u>	<u>Amounts Due Within One year</u>
Notes payable	\$ 63,000,000	\$ -	\$ -	\$ 63,000,000	\$ 63,000,000

In accordance with Section 9.0 of the Transition Agreement and Section 9.0 of the Cooperation Agreement with the County (see note 13), the County agreed to provide credit support in the form of a contract to provide subsidies for the purposes of obtaining commercial paper, letters of credit, revolving lines of credit, or to otherwise provide a guarantee of WCHCC's repayment obligation. In 2001, WCHCC obtained access to \$75,000,000 in taxable commercial paper through an investment bank which was subsequently decreased to \$70,000,000 in 2007 to provide WCHCC with working capital. During 2008, WCHCC converted the taxable commercial paper to tax exempt commercial paper and obtained access to \$63,000,000 in tax exempt commercial paper through the same investment bank. The outstanding balance as of December 31, 2010 and 2009 was \$0 and \$63,000,000, respectively, which was guaranteed by the County and had an interest rate of 0% and 0.55% as of December 31, 2010 and 2009, respectively. In December 2010, the outstanding balance of commercial paper was fully repaid.

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Interest expense for the commercial paper was approximately \$270,000 and \$1,341,000 for the years ended December 31, 2010 and 2009, 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, 2010 for the 2009-2010 State plan year and February 1, 2009 for the 2008-2009 State plan year. Amounts are accrued in WCHCC's balance sheet by prorating charges incurred in WCHCC's fiscal year. The amount outstanding for current and prior year contributions as of December 31, 2010 and 2009 was approximately \$27,681,000 and \$24,370,000, respectively, and is included in accrued salaries and related withholdings in the accompanying Balance Sheets.

WCHCC's annual plan cost amounted to approximately \$27,355,000, \$22,466,000 and \$20,421,000 in 2010, 2009, and 2008 respectively, based on a percentage (which varies with length of service) of the salaries of covered employees.

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

8. Other Postemployment Benefits

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

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Currently, 74% of the participants have elected individual coverage, with the full cost borne by WCHCC.

WCHCC's annual OPEB cost is calculated based on the annual required contribution (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, 2010 and 2009, the amount actually contributed to the plan, and changes in WCHCC's net OPEB obligation.

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

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

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

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

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

9. Self-Insurance Liability

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

	December 31, 2009 Balance	Additions	Reductions	December 31, 2010 Balance	Amounts Due Within One Year
Workers' compensation self-insurance (a)	\$ 17,496,000	\$ 7,537,286	\$ (5,919,076)	\$ 19,114,210	\$ 4,500,000
Malpractice self-insurance (b)	96,229,101	22,031,426	(24,132,107)	94,128,420	16,000,000
Other self-insurance (c)	193,000	555,000	(143,000)	605,000	275,000
	<u>\$ 113,918,101</u>	<u>\$ 30,123,712</u>	<u>\$ (30,194,183)</u>	<u>\$ 113,847,630</u>	<u>\$ 20,775,000</u>

	December 31, 2008 Balance	Additions	Reductions	December 31, 2009 Balance	Amounts Due Within One Year
Workers' compensation self-insurance (a)	\$ 17,943,574	\$ 3,964,267	\$ (4,411,841)	\$ 17,496,000	\$ 4,500,000
Malpractice self-insurance (b)	91,190,766	21,728,885	(16,690,550)	96,229,101	16,000,000
Other self-insurance (c)	475,000	98,000	(380,000)	193,000	-
	<u>\$ 109,609,340</u>	<u>\$ 25,791,152</u>	<u>\$ (21,482,391)</u>	<u>\$ 113,918,101</u>	<u>\$ 20,500,000</u>

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

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WCHCC's workers' compensation liability consists of a self-insurance fund and coverage from a commercial insurance carrier under a claims-made basis. During the period June 1, 1999 through June 1, 2002, excess insurance coverage was purchased that attached at \$250,000 per occurrence with \$5,000,000 in annual aggregate coverage. For the period June 1, 2002 through June 1, 2003, excess insurance coverage was purchased that attached at \$300,000 per occurrence with \$5,000,000 in annual aggregate coverage. For the period June 1, 2003 through June 1, 2004, excess insurance coverage was purchased that attached at \$500,000 per occurrence with \$1,000,000 in annual aggregate coverage. Prior to June 1, 1999 and from June 1, 2004 to June 30, 2008, WCHCC did not purchase excess insurance. Effective July 1, 2008, excess insurance coverage was purchased that attached at \$750,000 per occurrence with \$1,000,000 in annual aggregate coverage. As part of WCHCC's workers' compensation self-insurance plan, WCHCC obtains a biennial actuarial valuation to determine its self-insurance liabilities, including amounts for claims incurred but not reported. Such valuation is based on WCHCC's specific and industry-wide data.

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

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

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

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

PPL has been provided by a New York State admitted carrier, National Union Fire Insurance Company, Inc., an affiliate of American International Group, Inc. (AIG), since January 1, 1998 for all participating physicians with privileges at the Medical Center. Beginning in 1998 the PPL insurance provided each physician coverage of \$1 million per claim and \$3 million in the aggregate which subsequently increased to \$1.3 million per claim and \$3.9 million in the

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aggregate in 2002. WCHCC Bermuda reinsured through National Union Fire Insurance Company, Inc. on a claims-made basis with respect to PPL through January 1, 2005. WCHCC also has excess liability insurance with a \$25 million per year limit from January 1, 2006 through January 1, 2010. WCHCC has excess liability insurance with a \$28 million per limit as of January 1, 2010. The excess liability insurance policy attaches above the HPL and GL for the Medical Center and Taylor Care Center and above the first layer of excess for each physician.

Outstanding projected liabilities are composed of estimates of the ultimate case value (indemnity and expenses) established by an independent case adjuster (reserves), plus a provision for losses incurred, but not reported, based on the recommendations of an independent actuary using historical and industry data. WCHCC Bermuda's actuarial liabilities have been discounted at 4.0% at December 31, 2010 and 2009.

In the normal course of operations WCHCC Bermuda's bankers have issued a letter of credit in the amount of \$11,697,500 as of December 31, 2010 and 2009 in favor of a ceding insurance company, as collateral for WCHCC Bermuda's reinsurance obligations. At December 31, 2010 and 2009, an additional letter of credit for the amount of \$2,380,000 was issued to provide surety on a large claim. At December 31, 2010 and 2009, 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, 2010 and 2009, WCHCC Bermuda is required to maintain a minimum statutory capital and surplus of \$8,000,000 and \$8,150,000 respectively. As of December 31, 2010 and 2009, actual statutory capital and surplus was approximately \$14,174,000 and \$18,342,000, respectively.

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

Effective January 1, 2008, approximately 300 private attending physicians, many of whom had previously been provided malpractice insurance coverage through WCHCC Bermuda, obtained coverage with a commercial insurance company - Academic Health. WCHCC Bermuda will continue to provide insurance coverage for WCHCC and certain of its employed physicians. In addition, an excess insurance policy was purchased. 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.

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

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

10. Services and Utilities Provided by the County of Westchester

The County provides certain services and utilities to WCHCC. For the year ended December 31, 2010, the County charged WCHCC for direct costs incurred in providing such services and utilities. For the year ended December 31, 2009, the County donated the services and utilities, including direct and indirect costs. The services provided to WCHCC are contracted with the Department of Public Works, the Department of Laboratories, Information Technology Department, and the County Road Maintenance Department.

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

	<u>2010</u>	<u>2009</u>
Department of Public Works and maintenance service	\$ 7,440,439	\$ 6,779,939
General administration services	124,136	1,074,794
Other professional services	911,743	1,861,881
	<u>\$ 8,476,318</u>	<u>\$ 9,716,614</u>

The above costs are included in supplies and other expenses and any donated revenue is included in County support in the accompanying statements of revenues, expenses, and changes in net assets (Deficit).

WCHCC provided medical services to the Corrections Department of Westchester County for the period January 1, 2010 through July 26, 2010 and the year ended December 31, 2009. This activity generated patient service revenues of approximately \$7.5 million and \$14.5 million for the years ended December 31, 2010 and 2009, respectively. As of December 31, 2010 and 2009, WCHCC is owed approximately \$0 and \$3,589,000, respectively, for these services which is included in other current assets in the accompanying balance sheets.

11. Affiliation Agreement

WCHCC has an affiliation agreement with New York Medical College (the College), under the terms of which WCHCC will reimburse the College for salaries and fringe benefits for supervisory physicians' services. For the years ended December 31, 2010 and 2009, the College was reimbursed approximately \$28,113,000 and \$33,509,000, respectively, which is included in supplies and other expenses in the accompanying statements of revenues, expenses, and changes in Net assets (deficit).

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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, 2010 that have initial or remaining lease terms in excess of one year:

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

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

13. Transition/Cooperation Agreements

The State Legislature adopted legislation during 1997 which created WCHCC as a public benefit corporation of the State. A long-term lease and an operating agreement to transfer the facilities and operations to WCHCC were developed with the County which were effective January 1, 1998. Subsequent to January 1, 1998, additional negotiations resulted in a Transition Agreement and an amended and restated lease agreement.

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

The terms of the Transition Agreement commenced on January 1, 1998 and continued for a period of ten years, ending on December 31, 2007. During this period there were several amendments to the Transition Agreement which provided WCHCC with continued financial support by the County. WCHCC and the County agreed to an extension of the Transition Agreement to the earlier of December 31, 2009 or the execution of a new agreement.

In December 2008, the Westchester County Board of Legislators and the WCHCC Board approved a new agreement re-titled the "Cooperation Agreement." The Cooperation Agreement is a ten year agreement which may be terminated by either party after ninety days' notice. The Cooperation Agreement continues to contain a provision for credit support for WCHCC.

Westchester County Health Care Corporation
Notes to Combined Financial Statements
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The Cooperation Agreement requires that WCHCC reduce the principal amount outstanding on the commercial paper obligation by \$7 million per year commencing in 2008. In December 2009, the First Amendment to the Cooperation Agreement revised the pay down schedule for the commercial paper. The new pay down schedule required no pay down in 2009, \$7 million per year until 2012, \$8 million per year until 2015 and \$9 million per year until 2017. In December, 2010, WCHCC repaid the commercial paper in full. In addition, the Cooperation Agreement addresses several ongoing and legacy issues between WCHCC and the County. WCHCC is required to achieve certain financial targets and provide certain financial reports to the County. Failure to meet certain provisions of the Cooperation Agreement may trigger a default under the Cooperation Agreement. The Cooperation Agreement allows for additional guarantees of WCHCC's long-term debt at the discretion of the County.

14. Nonoperating Activities, Net

The following represents the components of nonoperating activities, net for the years ended December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Interest expense, net	\$ (9,226,859)	\$ (9,309,011)
County services	-	9,716,614
Other	-	(358,970)
	<u>\$ (9,226,859)</u>	<u>\$ 48,633</u>

15. 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, 2010 and 2009:

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

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

Westchester County Health Care Corporation
Notes to Combined Financial Statements
December 31, 2010 and 2009

A summary of the payment arrangements follows:

Reimbursement

Medicare

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

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

Medicaid and Other Third-Party Payors

The New York Health Care Reform Act of 1996 (the Act), as amended, which governs payments to hospitals in New York State, expired on June 30, 2005 and has been extended until December 31, 2011. Under the Act, Medicaid, workers' compensation, and no-fault payors pay rates are promulgated by the New York State Department of Health. Fixed payment amounts per inpatient discharge are established based on the patient's assigned case mix intensity similar to a Medicare DRG.

All other third-party payors, principally Blue Cross, other private insurance companies, Health Maintenance Organizations (HMOs), Preferred Provider Organizations (PPOs), and other managed care plans, negotiate payment rates directly with WCHCC. Such arrangements vary from DRG-based payment systems, per diems, case rates, and percentage of billed charges. If such rates are not negotiated, then the payors are billed at WCHCC's established charges.

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

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

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

Westchester County Health Care Corporation
Notes to Combined Financial Statements
December 31, 2010 and 2009

Revenue from the Medicare and Medicaid programs accounted for approximately 20% and 12%, respectively, of WCHCC's net patient service revenue for the year ended December 31, 2010 and 19% and 13%, respectively, for the year ended December 31, 2009. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by material amounts in the near term. WCHCC believes that it is in compliance, in all material respects, with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation. Noncompliance with such laws and regulations could result in repayments of amounts improperly reimbursed, substantial monetary fines, civil and criminal penalties, and exclusion from the Medicare and Medicaid programs.

Disproportionate Share

WCHCC is eligible to receive certain Disproportionate Share ("DSH") payments in recognition of the costs associated with the provision of care to uninsured patients. Funding for these payments is provided by local and Federal sources. WCHCC includes these payments in net patient service revenue in the accompanying Statements of Revenues, Expenses and Changes in Net Deficit. In 2010 and 2009, WCHCC recorded \$128.4 million and \$149.8 million, respectively, of DSH revenue. Amounts recognized as revenue represent amounts received for which all required Federal and State approvals have been received 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 note recognize revenue that will not ultimately be realized. The delay between rendering services and reaching final settlement, as well as the complexities and ambiguities of billing and reimbursement regulations, makes it difficult to estimate net realizable third-party revenues. Actual results may differ significantly from those estimates.

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

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

Westchester County Health Care Corporation
Notes to Combined Financial Statements
December 31, 2010 and 2009

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.

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

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

16. Subsequent Event

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

Westchester County Health Care Corporation
Required Supplementary Information
Schedule of Funding Progress – Other Postemployment Benefits (Unaudited)
December 31, 2010, 2009 and 2008

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)
01/01/10	\$ -	\$ 243,312,542	\$ 243,312,542	0.0%	\$ 249,021,985	97.7%
01/01/09	\$ -	\$ 221,456,581	\$ 221,456,581	0.0%	\$ 248,085,882	89.3%
01/01/08	\$ -	\$ 221,156,140	\$ 221,156,140	0.0%	\$ 253,018,512	87.4%

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

Required Supplementary Information - Schedule of Employer Contributions			
Fiscal Year Ended	Annual Required Contributions	Actual Contributions¹	Percentage Contributed
December 31, 2008	\$19,021,239	\$5,908,007	31.1%
December 31, 2009	\$18,645,384	\$6,917,330	37.1%
December 31, 2010	\$14,067,938	\$7,423,900	52.8%

¹Since there is no funding, these are the actual employer provided cash payments during the fiscal year.

Required Supplementary Information - Three Year Schedule of Percentage of OPEB Cost Contributed			
Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
December 31, 2008	\$19,021,239	31.1%	\$37,841,829
December 31, 2009	\$18,645,384	37.1%	\$49,569,883
December 31, 2010	\$14,067,938	52.8%	\$54,813,036

Required Supplementary Information - Summary of Key Actuarial Methods and Assumptions	
Valuation year	January 1, 2010 - December 31, 2010
Actuarial cost method	Frozen Entry Age
Amortization method	30 years, level dollar
Asset valuation method	N/A
Actuarial assumptions	
Discount rate	0.05
Projected payroll growth rate	N/A
Health care cost trend rate for medical and prescription drugs	Pre-65 is 8% during 2010 grading over ten years to an ultimate rate of 3.9%. Post-65 is 3.3% during 2010 grading over ten years to an ultimate rate of 3%.
Health care cost trend rate for dental and vision	5% per year for all years.

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

Schedule I

	Westchester County Health Care Corporation	WMC Advanced Physician Services, P.C.	WMC New York Inc. and Subsidiaries	Children's Hospital Foundation	WMC Foundation	Eliminating Entries	Total Reporting Entity
Assets							
Cash and cash equivalents	\$ 160,063,138	\$ 946,837	\$ 5,762	\$ 3,198,992	\$ 3,579,808	\$ -	\$ 167,794,537
Patient accounts receivable, net	101,369,382	2,856,809	-	-	-	-	104,226,191
Investments	-	-	-	580,921	-	-	580,921
Assets restricted as to use, required for current liabilities	-	-	16,000,000	4,904,134	1,443,998	-	22,348,132
Other current assets	23,350,611	130,612	192,122	99,316	174,688	(311,673)	23,635,676
Total current assets	284,783,131	3,934,258	16,197,884	8,783,363	5,198,494	(311,673)	318,585,457
Assets restricted as to use, net of current portion	51,227,757	-	80,325,025	842,847	-	(3,733,335)	128,662,294
Capital assets, net	301,942,111	165,615	1,007	668	-	-	302,109,401
Other assets, net	30,535,610	-	-	-	-	(11,935,157)	18,600,453
Beneficial interest in Foundation net assets	14,440,178	-	-	-	-	(14,440,178)	-
Total assets	\$ 682,928,787	\$ 4,099,873	\$ 96,523,916	\$ 9,626,878	\$ 5,198,494	\$ (30,420,343)	\$ 767,957,605
Liabilities and Net Assets (Deficit)							
Current portion of long-term debt	\$ 10,301,861	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,301,861
Notes payable	-	-	-	-	-	-	-
Accounts payable and accrued expenses	74,425,894	1,467,697	111,814	223,730	115,123	(311,673)	76,032,585
Accrued salaries and related withholdings	58,387,893	2,851,294	87,077	-	-	-	61,326,264
Current portion of estimated liability to third-party payors	12,328,614	-	-	-	-	-	12,328,614
Current portion of post retirement health insurance liability	8,435,000	-	-	-	-	-	8,435,000
Current portion of estimated self-insurance liability	4,775,000	-	16,000,000	-	-	-	20,775,000
Other current liabilities	10,538,075	-	-	46,341	-	-	10,584,416
Due to affiliate	(80,830)	80,830	-	-	-	-	-
Total current liabilities	179,111,507	4,399,821	16,198,891	270,071	115,123	(311,673)	199,783,740
Long-term debt	393,159,583	-	-	-	-	-	393,159,583
Estimated liability to third-party payors	46,082,882	-	-	-	-	-	46,082,882
Estimated post retirement health insurance liability	46,378,036	-	-	-	-	-	46,378,036
Estimated self-insurance liability	30,677,542	-	66,128,423	-	-	(3,733,335)	93,072,630
Total liabilities	695,409,550	4,399,821	82,327,314	270,071	115,123	(4,045,008)	778,476,871
Net assets (deficit)							
Restricted							
Expendable for capital acquisitions	-	-	-	1,447,150	-	-	1,447,150
Expendable for specific operating activities	7,171,400	-	-	4,280,252	1,443,998	(8,588,895)	4,306,755
Invested in capital assets, net of related debt	26,436,331	-	-	668	-	-	26,436,999
Unrestricted	(46,088,494)	(299,948)	14,196,602	3,628,737	3,639,373	(17,786,440)	(42,710,170)
Total net assets (deficit)	(12,480,763)	(299,948)	14,196,602	9,356,807	5,083,371	(26,375,335)	(10,519,266)
Total liabilities and net assets (deficit)	\$ 682,928,787	\$ 4,099,873	\$ 96,523,916	\$ 9,626,878	\$ 5,198,494	\$ (30,420,343)	\$ 767,957,605

Westchester County Health Care Corporation
Supplementary Schedule - Combining Balance Sheet Information
December 31, 2009

Schedule II

	Westchester County Health Care Corporation	WMC Advanced Physician Services, P.C.	WMC New York Inc. and Subsidiaries	Children's Hospital Foundation	WMC Foundation	Eliminating Entries	Total Reporting Entity
Assets							
Cash and cash equivalents	\$ 157,833,408	\$ 11,854	\$ 11,097	\$ 1,960,822	\$ 3,476,001	\$ -	\$ 163,293,182
Patient accounts receivable, net	89,925,449	-	-	-	-	-	89,925,449
Investments	-	-	-	1,320,325	-	-	1,320,325
Assets restricted as to use, required for current liabilities	-	-	16,000,000	3,783,303	1,444,516	-	21,227,819
Other current assets	28,744,052	953	233,814	153,842	74,697	(257,734)	28,949,624
Total current assets	276,502,909	12,807	16,244,911	7,218,292	4,995,214	(257,734)	304,716,399
Assets restricted as to use, net of current portion	21,736,294	-	86,582,631	7,244	-	(9,000,000)	99,326,169
Capital assets, net	285,290,194	-	-	1,459	-	-	285,291,653
Other assets, net	18,406,749	-	-	-	-	(6,872,747)	11,534,002
Beneficial interest in Foundation net assets	11,789,689	-	-	-	-	(11,789,689)	-
Total assets	\$ 613,725,835	\$ 12,807	\$ 102,827,542	\$ 7,226,995	\$ 4,995,214	\$ (27,920,170)	\$ 700,868,223
Liabilities and Net Assets (Deficit)							
Current portion of long-term debt	\$ 9,398,452	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,398,452
Notes payable	63,000,000	-	-	-	-	-	63,000,000
Accounts payable and accrued expenses	63,212,517	10,655	67,260	278,226	47,734	(257,734)	63,358,658
Accrued salaries and related withholdings	54,368,738	369,896	241,307	-	-	-	54,979,941
Current portion of estimated liability to third-party payors	24,077,005	-	-	-	-	-	24,077,005
Current portion of post retirement health insurance liability	6,000,000	-	-	-	-	-	6,000,000
Current portion of estimated self-insurance liability	4,500,000	-	16,000,000	-	-	-	20,500,000
Other current liabilities	22,808,023	-	-	106,560	-	-	22,914,583
Total current liabilities	247,364,735	380,551	16,308,567	384,786	47,734	(257,734)	264,228,639
Long-term debt	252,503,564	-	-	-	-	-	252,503,564
Estimated liability to third-party payors	64,082,997	-	-	-	-	-	64,082,997
Estimated post retirement health insurance liability	43,569,883	-	-	-	-	-	43,569,883
Estimated self-insurance liability	34,189,000	-	68,229,101	-	-	(9,000,000)	93,418,101
Total liabilities	641,710,179	380,551	84,537,668	384,786	47,734	(9,257,734)	717,803,184
Net assets (deficit)							
Restricted							
Expendable for capital acquisitions	1,436,549	-	-	1,436,549	-	(1,436,549)	1,436,549
Expendable for specific operating activities	7,044,088	-	-	2,333,617	1,444,516	(5,195,628)	5,626,593
Invested in capital assets, net of related debt	86,058,040	-	-	1,459	-	-	86,059,499
Unrestricted	(122,523,021)	(367,744)	18,289,874	3,070,584	3,502,964	(12,030,259)	(110,057,602)
Total net assets (deficit)	(27,984,344)	(367,744)	18,289,874	6,842,209	4,947,480	(18,662,436)	(16,934,961)
Total liabilities and net assets (deficit)	\$ 613,725,835	\$ 12,807	\$ 102,827,542	\$ 7,226,995	\$ 4,995,214	\$ (27,920,170)	\$ 700,868,223

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

Schedule III

	Westchester County Health Care Corporation	WMC Advanced Physician Services, P.C.	WMC New York Inc. and Subsidiaries	Children's Hospital Foundation	WMC Foundation	Eliminating Entries	Total Reporting Entity
Operating revenues							
Net patient service revenue	\$ 849,120,257	\$ 14,173,184	\$ -	\$ -	\$ -	\$ (13,660)	\$ 863,279,781
Other revenue	21,711,396	10,629,209	17,618,381	3,660,961	1,155,503	(29,181,011)	25,594,439
Total operating revenues	<u>870,831,653</u>	<u>24,802,393</u>	<u>17,618,381</u>	<u>3,660,961</u>	<u>1,155,503</u>	<u>(29,194,671)</u>	<u>888,874,220</u>
Operating expenses							
Salaries and benefits	425,605,223	27,094,182	1,168,484	-	-	-	453,867,889
Supplies and other expenses	360,070,884	2,645,409	993,951	1,161,617	917,731	(11,237,953)	354,551,639
Professional liability	19,882,708	-	21,009,677	-	-	(16,000,000)	24,892,385
Depreciation and amortization	39,861,434	57,416	112	791	-	-	39,919,753
Total operating expenses	<u>845,420,249</u>	<u>29,797,007</u>	<u>23,172,224</u>	<u>1,162,408</u>	<u>917,731</u>	<u>(27,237,953)</u>	<u>873,231,666</u>
Operating income (loss)	25,411,404	(4,994,614)	(5,553,843)	2,498,553	237,772	(1,956,718)	15,642,554
Nonoperating activities, net	<u>(10,770,810)</u>	<u>-</u>	<u>1,460,571</u>	<u>65,295</u>	<u>18,085</u>	<u>-</u>	<u>(9,226,859)</u>
Income (loss) before capital contributions	14,640,594	(4,994,614)	(4,093,272)	2,563,848	255,857	(1,956,718)	6,415,695
Change in beneficial interest in Foundation net assets	693,771	-	-	-	-	(693,771)	-
Capital contributions	169,216	5,062,410	-	(49,250)	(119,966)	(5,062,410)	-
Increase (decrease) in net assets (deficit)	15,503,581	67,796	(4,093,272)	2,514,598	135,891	(7,712,899)	6,415,695
Net assets (deficit)							
Beginning of year	<u>(27,984,344)</u>	<u>(367,744)</u>	<u>18,289,874</u>	<u>6,842,209</u>	<u>4,947,480</u>	<u>(18,662,436)</u>	<u>(16,934,961)</u>
End of year	<u>\$ (12,480,763)</u>	<u>\$ (299,948)</u>	<u>\$ 14,196,602</u>	<u>\$ 9,356,807</u>	<u>\$ 5,083,371</u>	<u>\$ (26,375,335)</u>	<u>\$ (10,519,266)</u>

Westchester County Health Care Corporation
Supplementary Schedule - Combining Revenues, Expenses, and
Changes in Net Assets (Deficit) Information
Year Ended December 31, 2009

Schedule IV

	Westchester County Health Care Corporation	WMC Advanced Physician Services, P.C.	WMC New York Inc. and Subsidiaries	Children's Hospital Foundation	WMC Foundation	Eliminating Entries	Total Reporting Entity
Operating revenues							
Net patient service revenue	\$ 851,138,239	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 851,138,239
Other revenue	16,752,626	-	23,290,866	2,454,191	1,102,743	(23,290,866)	20,309,560
Total operating revenues	<u>867,890,865</u>	<u>-</u>	<u>23,290,866</u>	<u>2,454,191</u>	<u>1,102,743</u>	<u>(23,290,866)</u>	<u>871,447,799</u>
Operating expenses							
Salaries and benefits	429,888,394	792,960	1,914,691	-	-	-	432,596,045
Supplies and other expenses	375,960,500	12,374	932,245	2,156,129	1,053,413	(2,952,355)	377,162,306
Professional liability	17,663,878	-	21,667,338	-	-	(21,000,000)	18,331,216
Depreciation and amortization	35,434,797	-	290,748	80,804	-	-	35,806,349
Total operating expenses	<u>858,947,569</u>	<u>805,334</u>	<u>24,805,022</u>	<u>2,236,933</u>	<u>1,053,413</u>	<u>(23,952,355)</u>	<u>863,895,916</u>
Operating income (loss)	8,943,296	(805,334)	(1,514,156)	217,258	49,330	661,489	7,551,883
Nonoperating activities, net	<u>(1,368,901)</u>	<u>-</u>	<u>10,642,308</u>	<u>58,467</u>	<u>43,654</u>	<u>(9,326,895)</u>	<u>48,633</u>
Income (loss) before capital contributions	7,574,395	(805,334)	9,128,152	275,725	92,984	(8,665,406)	7,600,516
Change in beneficial interest in Foundation net assets	(15,189)	-	-	-	-	15,189	-
Capital contributions	<u>2,544,233</u>	<u>437,590</u>	<u>3,501,154</u>	<u>(324,740)</u>	<u>(720,647)</u>	<u>(5,437,590)</u>	<u>-</u>
Increase (decrease) in net assets (deficit)	10,103,439	(367,744)	12,629,306	(49,015)	(627,663)	(14,087,807)	7,600,516
Net assets (deficit)							
Beginning of year	<u>(38,087,783)</u>	<u>-</u>	<u>5,660,568</u>	<u>6,891,224</u>	<u>5,575,143</u>	<u>(4,574,629)</u>	<u>(24,535,477)</u>
End of year	<u>\$ (27,984,344)</u>	<u>\$ (367,744)</u>	<u>\$ 18,289,874</u>	<u>\$ 6,842,209</u>	<u>\$ 4,947,480</u>	<u>\$ (18,662,436)</u>	<u>\$ (16,934,961)</u>