



**Westchester County  
Health Care Corporation**  
Basic Financial Statements and  
Supplementary Schedules  
(With Management's Discussion and Analysis)  
December 31, 2015  
(With Report of Independent Certified Public Accountants)

**Westchester County Health Care Corporation**  
**Table of Contents**  
**December 31, 2015**

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	<b>Page(s)</b>
<b>Report of Independent Certified Public Accountants</b> .....	1–2
<b>Required Supplemental Information</b>	
Management’s Discussion and Analysis (Unaudited) .....	3–11
<b>Audited Financial Statements</b>	
Statement of Net Position .....	12
Statement of Revenues, Expenses, and Changes in Net Position .....	13
Statement of Cash Flows .....	14–15
Notes to Financial Statements.....	16–43
<b>Required Supplementary Information (Unaudited)</b>	
Schedule of Proportionate Share of the Net Pension Liability - Last 10 Years .....	44
Schedule of Employer Contributions - Last 10 Years .....	44
Schedule of Funding Progress - Other Postemployment Benefits .....	45



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## **REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Board of Directors

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

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Westchester County Health Care Corporation (“WCHCC”), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise WCHCC’s basic financial statements as listed in the table of contents.

### **Management’s responsibility for the financial statements**

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

### **Auditor’s responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of WCHCC (Bermuda), Limited, a wholly owned subsidiary of WMC-New York, Inc., which is a blended component unit of WCHCC, which statements reflect total assets constituting \$139,611,000 and total liabilities constituting \$89,241,000 as of December 31, 2015. We did not audit the financial statements of Hudson River West Insurance (Barbados) Limited, which is a blended component unit of WCHCC’s discretely presented component unit, which statements reflect total assets constituting \$4,640,000 and total liabilities constituting \$3,574,000 as of December 31, 2015. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for WCHCC (Bermuda), Limited and Hudson River West Insurance (Barbados) Limited, are based solely on the reports of the other auditors’. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, based on our audit and the report of the other auditors the financial statements referred to above present fairly, in all material respects, the net position of the business-type activities and discretely presented component unit of Westchester County Health Care Corporation as of December 31, 2015, and the changes in financial position and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 2 to the financial statements, in 2015 WCHCC adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

### **Required Supplemental Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 and the required supplementary information on pages 44 through 45 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in the appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Grant Thornton LLP*

New York, New York

April 7, 2016

# **Westchester County Health Care Corporation**

## **Management's Discussion and Analysis (Unaudited)**

### **December 31, 2015**

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#### **Overview**

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

Management's discussion and analysis of the Westchester County Health Care Corporation (WCHCC) annual financial report presents WCHCC's financial performance during the years ended December 31, 2015 and 2014. 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.

The basic financial statements (Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows, and the Notes to the Financial Statements) present the financial position of WCHCC at December 31, 2015 and the changes in its financial position for the year then ended. These financial statements report information about WCHCC using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of WCHCC's assets and liabilities. The Statement of Revenues, Expenses, and Changes in Net Position reflect the year's activities on the accrual basis of accounting, where revenues and expenses are recorded when services are provided or obligations are incurred, not when cash is received or paid. The financial statements also report WCHCC's net position (the difference between assets and liabilities) and how that has changed. Net position is one way to measure financial health or condition. The Statement of Cash Flows provide relevant information about the 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.

On May 9, 2014, WCHCC acquired substantially all the assets of Saint Francis Hospital Poughkeepsie, New York and certain related entities (St. Francis). As part of the acquisition, the hospital was renamed MidHudson Regional Hospital of Westchester Medical Center (MidHudson Regional Hospital) and additional entities were established including; a physician practice - Westchester Medical Regional Physician Services, P.C., a home health agency - North Road LHCSA, a day care and education center - Mid-Hudson Valley Early Education Center and a professional employer organization - Mid-Hudson Valley Staffco, LLC (collectively referred to as the MidHudson Campus).

Effective May 19, 2015, WCHCC entered into an affiliation agreement with Bon Secours Health System, Inc. (BSHSI), the Sisters of Charity of Saint Elizabeth (SOC), Bon Secours Charity Health System, Inc. (Charity) and WMC Health Network - Rockland, Inc. (WMC - Rockland, a subsidiary of WCHCC), in which WMC - Rockland would be the majority member of Charity, holding 60% of the economic interest in Charity and appointing 60% of the Charity Board of Directors. BSHSI holds a 40% economic interest in Charity and, together with SOC, appoints 40% of the Charity Board of Directors. More detailed information about the agreement is presented in Note 1 to the financial statements.

**Management's discussion and analysis does not include the activities of Charity.**

**Westchester County Health Care Corporation**  
**Management's Discussion and Analysis (Unaudited)**  
**(Amounts in Thousands)**  
**December 31, 2015**

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**Financial Analysis**  
**Summary of Assets, Liabilities, and Net Position**  
**December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>	<u>2015-2014 Percentage Change</u>
<b>Assets</b>			
Current assets	\$ 398,193	\$ 420,530	(5.3)%
Capital assets	430,616	409,586	5.1
Other assets	<u>128,937</u>	<u>130,617</u>	<u>(1.3)</u>
Total assets	<u>\$ 957,746</u>	<u>\$ 960,733</u>	<u>(0.3)%</u>
<b>Deferred outflows of resources</b>	<u>\$ 6,177</u>	<u>\$ -</u>	<u>100.0%</u>
<b>Liabilities</b>			
Current liabilities	\$ 265,578	\$ 272,760	(2.6)%
Long-term portion of debt	458,646	474,608	(3.4)
Other long-term liabilities	<u>250,145</u>	<u>223,595</u>	<u>11.9</u>
Total liabilities	<u>\$ 974,369</u>	<u>\$ 970,963</u>	<u>0.4%</u>
<b>Deferred inflows of resources</b>	<u>\$ 1,980</u>	<u>\$ -</u>	<u>100.0%</u>
<b>Net position</b>			
Restricted	\$ 9,181	\$ 8,124	13.0%
Unrestricted	<u>(21,607)</u>	<u>(18,354)</u>	<u>17.7</u>
Total net position	<u>\$ (12,426)</u>	<u>\$ (10,230)</u>	<u>21.5%</u>

**Westchester County Health Care Corporation**  
**Management's Discussion and Analysis (Unaudited)**  
**(Amounts in Thousands)**  
**December 31, 2015**

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**Financial Analysis**  
**Summary of Revenues, Expenses, and Changes in Net Position**  
**Years ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>	<u>2015-2014 Percentage Change</u>
<b>Operating revenues</b>			
Net patient service revenue	\$ 1,163,472	\$ 1,025,476	13.5%
Other revenue	<u>64,311</u>	<u>33,655</u>	<u>91.1</u>
Total operating revenues	<u>1,227,783</u>	<u>1,059,131</u>	<u>15.9</u>
<b>Operating expenses</b>			
Salaries and benefits	655,928	562,874	16.5
Supplies and other expenses	477,735	414,140	15.4
Professional liability	14,892	8,177	82.1
Depreciation and amortization	<u>53,000</u>	<u>50,428</u>	<u>5.1</u>
Total operating expenses	<u>1,201,555</u>	<u>1,035,619</u>	<u>16.0</u>
Operating income	26,228	23,512	11.6
<b>Nonoperating activities, net</b>			
Increase in net position	<u>7,222</u>	<u>4,192</u>	<u>72.3</u>
<b>Net position</b>			
Beginning of year	(10,230)	(14,422)	(29.1)
GASB 68 adoption adjustment-January 1, 2015	<u>(9,418)</u>	<u>-</u>	<u>-</u>
End of year	<u>\$ (12,426)</u>	<u>\$ (10,230)</u>	<u>21.5%</u>

**Westchester County Health Care Corporation**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2015**

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**Overall Financial Position and Operations**

WCHCC reported operating income of \$26.2 million, \$23.5 million and \$26.1 million for the years ended December 31, 2015, 2014 and 2013, respectively. WCHCC's net position, after a (\$9.4) million adjustment for GASB 68, increased \$7.2 million from December 31, 2014 to December 31, 2015 and increased \$4.2 million from December 31, 2013 to December 31, 2014.

Significant financial indicators are as follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating income (in millions)	\$ 26.2	\$ 23.5	\$ 26.1
Current ratio	1.5	1.5	1.8
Quick ratio	1.4	1.4	1.7
Days cash on hand	37.6	77.0	87.9

**Analysis of Financial Position**

In this section, WCHCC management provides our analysis of December 31, 2015 financial amounts, compared to December 31, 2014 financial amounts, and, where appropriate, December 31, 2014 financial amounts, compared to December 31, 2013.

**Assets and Liabilities**

***Cash and Cash Equivalents***

The cash position decreased \$89.5 million at December 31, 2015 compared to December 31, 2014 primarily due to a delay in the Disproportionate Share (DSH) payment to WCHCC. The DSH payment was received in January 2016. The cash position increased \$3.4 million at December 31, 2014 compared to December 31, 2013 due to increased net patient service revenue from increased rates and cash provided from operations.

***Patient Accounts Receivable, Net***

Patient accounts receivable reflected days outstanding of 48.3, 53.2 and 52.1 at December 31, 2015, 2014 and 2013, respectively. The decrease in days outstanding at December 31, 2015 compared to December 31, 2014 is the result of improved collection efforts in 2015. The increase in days outstanding at December 31, 2014 compared to December 31, 2013 is the result of increased accounts receivable due to the addition of MidHudson Regional Hospital.

***Other Current Assets***

Other current assets increased \$57.5 million from December 31, 2014 to December 31, 2015 primarily due to the receivable for the DSH payment and an increase in inventory balances and increased \$5.7 million from December 31, 2013 to December 31, 2014 primarily due to the increase in inventory balances.

***Assets Restricted as to Use***

Assets restricted as to use increased \$3.8 million from December 31, 2014 to December 31, 2015 due to increases in funds restricted for malpractice claims of \$2.7 million and restricted contributions of \$1.1 million.

Assets restricted as to use decreased \$33.1 million from December 31, 2013 to December 31, 2014 due to decreases in construction funds of \$29.8 million, funds restricted for malpractice claims of \$2.9 million and restricted contributions of \$0.4 million.



**Westchester County Health Care Corporation**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2015**

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***Capital Assets***

WCHCC's capital additions, various capital projects and medical equipment purchases, in 2015 were \$72.6 million, net of retirements, offset by depreciation expense of \$51.6 million, net of retirements. WCHCC's capital additions, consisting of the acquisition of St. Francis, various capital projects and medical equipment purchases, in 2014 were \$142.0 million offset by depreciation expense of \$50.5 million.

Capital assets increased \$21.0 million from December 31, 2014 to December 31, 2015 primarily due to capital expenditures from operations. Capital assets increased \$91.5 million from December 31, 2013 to December 31, 2014 primarily due to the acquisition of St. Francis and related capital leases and capital expenditures from bond proceeds.

***Accounts Payable and Accrued Expenses***

Accounts payable and accrued expenses increased \$31.7 million from December 31, 2014 to December 31, 2015 due to increased supply costs and increased patient volume and increased \$24.1 million from December 31, 2013 to December 31, 2014 primarily due to the addition of supply costs for MidHudson Regional Hospital.

***Accrued Salaries and Related Withholdings***

Accrued salaries and related withholdings decreased \$25.3 million from December 31, 2014 to December 31, 2015 primarily due to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) and increased \$11.4 million from December 31, 2013 to December 31, 2014 reflecting additional accruals for payroll and related withholdings for the MidHudson Campus.

***Current Portion of Other Long-Term Liabilities***

Other current liabilities decreased \$11.2 million from December 31, 2014 to December 31, 2015 primarily due to a decrease in current portions of third-party payor liabilities partially offset by increases in deferred revenue, post-retirement health and self-insurance liabilities, and increased \$15.0 million from December 31, 2013 to December 31, 2014 primarily due to increases in current portions of third-party payor liabilities, post-retirement health partially offset by a decrease in self-insurance liabilities.

***Long-Term Debt***

Long-term debt decreased \$18.4 million from December 31, 2014 to December 31, 2015 due to the retirement and payment of capital leases of \$35.8 million, bond principal payments of \$10.0 million partially offset a bond offering of \$25.0 and new capital leases of \$2.4 million.

Long-term debt increased \$40.4 million from December 31, 2013 to December 31, 2014 due to a bond offering of \$27.4 million in connection with the acquisition of St. Francis and new capital lease obligations of \$32.9 million partially offset by bond principal payments and capital lease payments of \$19.9 million.

***Other Long-Term Liabilities***

Other long-term liabilities increased approximately \$26.5 million from December 31, 2014 to December 31, 2015 due to increases of \$30.0 million for pension liability, \$2.2 million for post-retirement health insurance liability and \$4.1 million for deferred pensions partially offset by decreases of \$4.3 million for third party payor liabilities and \$5.5 million for insurance.

Other long-term liabilities decreased approximately \$6.0 million from December 31, 2013 to December 31, 2014 due to decreases of \$3.5 million for third party payor liabilities, \$2.7 million for deferred pension and \$0.6 million for insurance, partially offset by an increase of \$0.8 million for post-retirement health insurance liability.

**Westchester County Health Care Corporation**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2015**

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**Deferred Outflows and Inflows of Resources**

***Deferred Outflows***

Deferred outflows increased approximately \$6.2 million from December 31, 2014 to December 31, 2015 due to the implementation of GASB 68.

***Deferred Inflows***

Deferred outflows increased approximately \$2.0 million from December 31, 2014 to December 31, 2015 due to the implementation of GASB 68.

**Revenues and Expenses**

***Net Patient Service Revenue***

Net patient service revenue increased \$138.0 million from 2014 to 2015. The increases included the full year effect of the acquisition of St. Francis on May 9, 2014 accounting for \$87.9 million and an increase at the Valhalla hospital of \$50.1 million which is primarily due to higher inpatient and outpatient rates and includes an increase in the physician practice revenue of \$28.7 million

Net patient service revenue increased \$130.1 million from 2013 to 2014. The increases included the acquisition of St. Francis on May 9, 2014 accounting for \$77.3 million which included the 243 bed hospital, a licensed home care program and physician practice; an increase at the Valhalla hospital of \$40.0 million primarily due to higher inpatient and outpatient rates, an increase in the physician practice revenue of \$5.1 million and higher Medicaid disproportionate share revenue of \$7.7 million.

***Other Revenue***

Other revenue increased \$30.7 million from 2014 to 2015 primarily due to income from the Delivery System Reform Incentive Program (DSRIP) and increases in management fees and contributions and increased \$10.2 million from 2013 to 2014 due to an increase in grant revenue, rental income and management fees.

***Salaries and Benefits***

Salaries and benefits increased \$93.1 million from 2014 to 2015. The increase consists of \$51.0 million in salaries and benefits for the MidHudson Campus for a full year of operations and \$42.1 million in salaries for the Valhalla Campus related to increased physician recruitment and related support staff

Salaries and benefits increased \$89.1 million from 2013 to 2014. The increase consists of \$63.8 million in salaries and benefits for the MidHudson Campus, \$26.4 million in salaries for the Valhalla Campus related to increased physician recruitment and related support staff, partially offset by a decrease in Valhalla Campus benefits of \$1.1 million primarily related to pension and unemployment insurance.

***Supplies and Other Expenses***

Supplies and other expenses increased approximately \$63.6 million from 2014 to 2015 primarily due to:

- Increase due to the full year impact of MidHudson Campus of \$27.5 million.
- Increase in medical supplies of \$22.2 million.
- Increase in technical services of \$4.5 million.
- Increase in contractual services of \$2.3 million

**Westchester County Health Care Corporation**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2015**

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- Increase in operating leases and equipment repair of \$4.4 million.
- Increase in pools and assessments of \$2.4 million
- Increase in other expenses of \$0.3 million.

Supplies and other expenses increased approximately \$53.1 million from 2013 to 2014 primarily due to:

- Increase due to the addition of MidHudson Campus of \$33.4 million.
- Increase in technical services of \$14.5 million primarily due to contractual services in connection with certain outsourcing initiatives and legal fees and other costs related to the acquisition of St. Francis Hospital.
- Increase in contractual services of \$2.2 million
- Increase in operating leases and equipment repair of \$1.8 million.
- Increase in utilities of \$1.8 million
- Decrease in other expenses of \$0.6 million.

***Professional Liability***

Professional liability insurance costs increased \$6.7 million from 2014 to 2015 primarily due to an increase in insurance claims, cases and settlements and decreased \$5.5 million from 2013 to 2014 due to a decrease in insurance claims, cases and settlements and a decrease in incurred but not reported liability.

***Depreciation and Amortization Expense***

Depreciation and amortization expense increased \$2.6 million from 2014 to 2015 and \$6.3 million from 2013 to 2014 due capital additions in 2015 and 2014. 2014 capital additions primarily related to the acquisition of St. Francis.

***Nonoperating Activities, Net***

Nonoperating activities, net decreased \$0.3 million from 2014 to 2015 primarily due to deferred outflows from pensions related to GASB 68 partially offset by decrease in interest income.

Nonoperating activities, net decreased \$0.5 million from 2013 to 2014 primarily due to increased interest income partially offset by increased interest expense due to a new bond issue and new capital leases.

**Net Position**

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

- Restricted
- Unrestricted

**Westchester County Health Care Corporation**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2015**

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***Restricted***

Increased \$1.0 million from December 31, 2014 to December 31, 2015 due to endowment contributions partially offset by capital purchases from restricted funds and decreased \$0.2 million from December 31, 2013 to December 31, 2014 due to capital purchases from restricted funds partially offset by capital campaign contributions.

***Unrestricted***

Negative unrestricted net position, a deficit, increased by \$3.2 million, to (\$21.6) million at December 31, 2015 from (\$18.4) million at December 31, 2014. Negative unrestricted net position increased due to the cumulative effect of GASB 68 of \$9.4 million, nonoperating activities, net of \$19.0 million and an increase in restricted net position of \$1.0 million partially offset by operating income of \$26.2 million.

Negative unrestricted net position, a deficit, decreased by \$4.4 million, to (\$18.4) million at December 31, 2014 from (\$22.8) million at December 31, 2013. Negative unrestricted net position decreased primarily due to operating income of \$23.5 million and a decrease in restricted net position of \$0.2 million partially offset by nonoperating activities, net of \$19.3 million.

**Capital Assets and Long-Term Debt Activity**

***Capital Assets***

At December 31, 2015, WCHCC had capital assets, net of accumulated depreciation, of \$430.6 million, compared to \$409.6 million at December 31, 2014 and \$318.1 million at December 31, 2013. Major categories of capital assets are set forth in the table below (amounts in thousands):

	<u>2015</u>	<u>2014</u>
Land and land improvements	\$ 4,523	\$ 3,247
Buildings and building improvements	241,788	219,997
Equipment	161,362	163,261
Construction in progress	<u>22,943</u>	<u>23,081</u>
	<u>\$ 430,616</u>	<u>\$ 409,586</u>

WCHCC's capital additions in 2015 were \$72.6 million, net of retirements, consisting of various capital projects and medical equipment purchases, offset by depreciation expense of \$51.6 million, net of retirements. WCHCC's capital additions in 2014 were \$142.0 million, consisting of the acquisition of St. Francis, various capital projects and medical equipment purchases, offset by depreciation expense of \$50.5 million.

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

**Westchester County Health Care Corporation**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2015**

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***Long-Term Debt***

At December 31, 2015, WCHCC had \$476.1 million in total long-term debt outstanding, as shown with comparative amounts at December 31, 2015 and December 31, 2014 (amounts in thousands):

	<u>2015</u>	<u>2014</u>
2000 Series Bonds	\$ 108,170	\$ 108,170
2010 Series Bonds	236,910	247,125
2011 Series Bonds	63,880	63,980
2014 Series Bonds	26,941	27,352
2015 Series Bonds	24,809	-
Bond Premium/Discount	896	-
Capital Leases	14,482	47,834
	<u>\$ 476,088</u>	<u>\$ 494,461</u>

Long-term debt decreased \$19.4 million from December 31, 2014 to December 31, 2015 due principal payments on bonds and capital leases, and a retirement of a capital lease partially offset by a new bond offering and new capital leases and decreased \$40.4 million from December 31, 2013 to December 31, 2014 due to principal payments on bonds and capital leases partially offset by new capital leases.

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

**Subsequent Events**

In March 2016, WCHCC, through its newly created wholly owned subsidiary, WMC Health Network - Ulster, Inc. (WMC - Ulster) entered into a transaction with Health Alliance, Inc. (Health Alliance) whereby WMC - Ulster became the sole corporate member of Health Alliance.

In March 2016, WCHCC participated in a \$283,580,000 bond offer issued by the Westchester County Local Development Corporation Revenue Bonds, Series 2016 (Westchester Medical Center Obligated Group Project) (Series 2016 Bonds). The proceeds of the bonds will be used to finance the construction of an ambulatory care pavilion and other capital projects, advance refund certain outstanding bonds, fund capitalized interest and pay the costs of issuance.

More detailed information about WCHCC's subsequent events is presented in Note 17 to the financial statements.

**Contacting WCHCC's Financial Management**

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

**Westchester County Health Care Corporation**  
**Statement of Net Position**  
**(Amounts in Thousands)**  
**December 31, 2015**

	<b>WCHCC</b>	<b>Bon Secours Charity</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 118,295	\$ 21,945
Patient accounts receivable, net	154,015	64,294
Assets restricted as to use, required for current liabilities	29,776	208
Other current assets	96,107	19,383
Total current assets	398,193	105,830
Assets restricted as to use, net	123,234	7,455
Capital assets, net	430,616	137,488
Other assets, net	5,703	8,604
Total assets	957,746	259,377
<b>Deferred Outflows of Resources</b>		
Pension related	6,177	-
<b>Liabilities</b>		
Current liabilities:		
Current portion of long-term debt	17,442	1,051
Accounts payable and accrued expenses	132,198	38,988
Accrued salaries and related withholdings	55,215	21,595
Current portion of other long-term liabilities	60,723	5,237
Total current liabilities	265,578	66,871
Long-term debt, net	458,646	123,387
Other long-term liabilities, net	250,145	26,810
Total liabilities	974,369	217,068
<b>Deferred Inflows of Resources</b>		
Pension related	1,980	-
Commitments and contingencies		
<b>Net Position</b>		
Restricted		
Expendable for capital acquisitions	2,663	1,513
Expendable for specific operating activities	4,482	2,101
Nonexpendable for endowment	2,036	615
Total restricted	9,181	4,229
Unrestricted		
Net investment in capital assets	82,987	135,401
Unrestricted	(104,594)	(97,321)
Total unrestricted	(21,607)	38,080
Total net position	\$ (12,426)	\$ 42,309

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

**Westchester County Health Care Corporation**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**(Amounts in Thousands)**  
**Year Ended December 31, 2015**

	<b>WCHCC</b>	<b>Bon Secours Charity</b>
<b>Operating revenues</b>		
Net patient service revenue (net of provision for bad debts of \$96,552 and \$16,269, respectively)	\$ 1,163,472	\$ 481,497
Other revenue	64,311	15,129
Total operating revenues	<u>1,227,783</u>	<u>496,626</u>
<b>Operating expenses</b>		
Salaries and benefits	655,928	276,034
Supplies and other expenses	477,735	192,911
Professional liability	14,892	4,058
Depreciation and amortization	53,000	24,276
Total operating expenses	<u>1,201,555</u>	<u>497,279</u>
Operating income	26,228	(653)
<b>Nonoperating activities</b>		
Interest income	1,421	132
Interest expense	(25,477)	(9,295)
Other nonoperating activities, net	5,050	(464)
Total nonoperating activities, net	<u>(19,006)</u>	<u>(9,627)</u>
<b>Other additions and deductions</b>		
Archdioceses pension plan withdrawal	-	(13,673)
Forgiveness of amounts due Bon Secours Health System, Inc.	-	127,999
Total other additions and deductions	<u>-</u>	<u>114,326</u>
Increase in net position	7,222	104,046
<b>Net position</b>		
Beginning of year	(10,230)	(61,737)
GASB 68 adoption adjustment-January 1, 2015	(9,418)	-
End of year	<u>\$ (12,426)</u>	<u>\$ 42,309</u>

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

**Westchester County Health Care Corporation**  
**Statement of Cash Flows**  
**(Amounts in Thousands)**  
**Year Ended December 31, 2015**

	<b>WCHCC</b>	<b>Bon Secours Charity</b>
<b>Cash flows from operating activities</b>		
Cash received from patients and third-party payors	\$ 1,073,229	\$ 486,079
Other receipts	61,613	13,944
Cash paid to employees for salaries and benefits	(657,935)	(273,842)
Cash paid for supplies and other expenses	(458,075)	(193,646)
Net cash provided by operating activities	<u>18,832</u>	<u>32,535</u>
<b>Cash flows from noncapital financing activities</b>		
Proceeds from contributions restricted for specific operating activities	8,606	-
Proceeds from issuance of long-term debt	-	122,319
Payment of intercompany indebtedness	-	(120,000)
Payment of costs of issuance	-	(2,319)
Payments for nonoperating items	-	(464)
Interest paid	-	(6,483)
Net cash provided by (used in) noncapital financing activities	<u>8,606</u>	<u>(6,947)</u>
<b>Cash flows from capital and related financing activities</b>		
Purchase of capital assets	(60,858)	(5,855)
Proceeds on sale of assets	853	-
Proceeds from issuance of long-term debt	25,000	-
Repayments of principal on long-term debt	(46,751)	(875)
Interest paid	(24,819)	(493)
Net cash used in capital and related financing activities	<u>(106,575)</u>	<u>(7,223)</u>
<b>Cash flows from investing activities</b>		
Purchase of assets restricted as to use	(41,793)	-
Sales of assets restricted as to use	29,431	1,019
Sale of investments	595	-
Interest received	1,421	132
Net cash (used in) provided by investing activities	<u>(10,346)</u>	<u>1,151</u>
Net (decrease) increase in cash and cash equivalents	(89,483)	19,516
<b>Cash and cash equivalents</b>		
Beginning of year	207,778	2,429
End of year	<u>\$ 118,295</u>	<u>\$ 21,945</u>
<b>Supplemental disclosure of cash flow information</b>		
Change in amounts accrued for purchase of capital assets	\$ 766	\$ -
Assets acquired under capital leases	\$ 2,412	\$ -
Forgiveness of amounts due Bon Secours Health System, Inc.	\$ -	\$ 127,999
Removal of capital lease asset and liability	\$ -	\$ 4,390

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



**Westchester County Health Care Corporation**  
**Statement of Cash Flows (continued)**  
**(Amounts in Thousands)**  
**Year Ended December 31, 2015**

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	<u>WCHCC</u>	<u>Bon Secours Charity</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income (loss)	\$ 26,228	\$ (653)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation and amortization	53,000	24,275
Provision for bad debts, net	96,552	16,269
Changes in assets and liabilities		
Patient accounts receivable	(101,168)	(13,030)
Other assets	(2,698)	37,766
Accounts payable and accrued expenses	20,915	5,971
Accrued salaries and related withholdings	(34,696)	2,180
Due to affiliate	-	(10,296)
Other liabilities	(39,301)	(29,947)
Net cash provided by operating activities	<u>\$ 18,832</u>	<u>\$ 32,535</u>

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

# Westchester County Health Care Corporation

## Notes to Financial Statements

### December 31, 2015

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#### 1. Organization

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

Effective May 19, 2015, WCHCC entered into an affiliation agreement with Bon Secours Health System, Inc. (BSHSI), the Sisters of Charity of Saint Elizabeth (SOC), Bon Secours Charity Health System, Inc. (Bon Secours Charity or Charity) and WMC Health Network - Rockland, Inc. (WMC - Rockland, a subsidiary of WCHCC), in which WMC - Rockland would be the majority member of Charity, holding 60% of the economic interest in Charity and appointing 60% of the Charity Board of Directors. BSHSI holds a 40% economic interest in Charity and, together with SOC, appoints 40% of the Charity Board of Directors. WCHCC provides management services to Charity pursuant to a Department of Health-approved exclusive management agreement between WCHCC and Charity. Charity is shown as a discretely presented component unit in WCHCC's audited financial statements. More detailed information about Charity is presented in Note 16.

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

- The Children's Hospital Foundation at WMC, Inc. (Children's Hospital Foundation), the Westchester Medical Center Foundation, Inc. (WMC Foundation) and Mid-Hudson Valley Early Education Center (Early Education Center) are not-for-profit entities 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.

The Children's Hospital Foundation was formed in March 1997. The primary focus of the Children's Hospital Foundation is supporting, maintaining, and otherwise benefiting and being responsive to the needs and objectives of the Maria Fareri Children's Hospital at Westchester Medical Center (MFCH). In 2015, the WMC Foundation Board approved the merger of the WMC Foundation with the Children's Hospital Foundation. On June 12, 2015, the State of New York approved the merger and the WMC Foundation assumed the operations of the Children's Hospital Foundation. The Children's Hospital Foundation transferred its net position to the WMC Foundation at which time the Children's Hospital Foundation ceased operations.

The WMC Foundation was formed in July 1999. The primary focus of WMC Foundation is to support, maintain, and otherwise benefit and be responsive to the needs and the objectives of the Medical Center.

**Westchester County Health Care Corporation**  
**Notes to Financial Statements**  
**December 31, 2015**

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The Early Education Center was formed in May 2014. The primary focus of the Early Education Center is to provide day care and childhood early education to children between the ages of eighteen months to five year of age who are diagnosed with autism and other developmental disabilities.

- North Road LHCSA, Inc. (LHCSA) is a not-for-profit entity formed in May 2014 under the New York Not-For-Profit Corporation Law. LHCSA was formed for the purpose of establishing, operating and maintaining, on a not-for-profit basis, a licensed home care services agency as defined in Article 36 of the Public Health Law of the State of New York.
- 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. 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 foundations, which includes the employment of the Children's Hospital Foundation and the WMC Foundation employees. In addition, WMC New York is the holder of 100% of the membership shares in WCHCC (Bermuda), Limited (WCHCC Bermuda), a Bermuda company formed to serve as an off-shore captive insurance company for WCHCC pursuant to Bermuda law, the operations of which have been reported in the accompanying financial statements as a blended component unit. On May 9, 2014, Mid-Hudson Valley Staffco, LLC (Mid-Hudson Valley Staffco) was formed as a Professional Employer Organization with WMC New York as the sole member. The purpose of Mid-Hudson Valley Staffco is the provision of professional and non-professional staffing to the WCHCC operations and facilities other than its Valhalla Campus. In May 2014, the Center for Regional Healthcare Innovation, LLC (CRHI) was formed to design and execute strategies to transform healthcare in the Hudson Valley through participation in the Delivery System Reform Incentive Program (DSRIP) among other initiatives. WMC New York is the sole member of CRHI. In May 2015, Hudson Valley Property Holdings, LLC (HVPH) was formed with WMC New York as the sole member and holding 100% of the membership interest therein. HVPH's purpose is primarily to purchase, lease, manage and operate a building in Poughkeepsie, New York.
- On March 11, 2009, Westchester Medical Center Advanced Physician Services, P.C. (WMC Advanced Physician Services) and on May 9, 2014, Westchester Medical Regional Physician Services, P.C. (WM Regional Physician Services), (collectively, The Physician Services Groups) were organized and incorporated under the New York Business Corporation Law as for-profit professional corporations controlled by WCHCC through its power to appoint sole shareholders. The primary focus of the Physician Services Groups is to employ physicians engaged in the profession of medicine.
- NorthEast Provider Solutions, Inc. (NorthEast Provider) is a for-profit corporation organized and existing under the New York Business Corporation Law in December 1997. NorthEast Provider operates The Hearing Works, a service that provides hearing aids and also provides management services to the Physician Services Groups.

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

**Westchester County Health Care Corporation**  
**Notes to Financial Statements**  
**December 31, 2015**

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**2. Significant Accounting Policies**

**Basis of Presentation**

WCHCC is considered a special-purpose government entity engaged only in business-type activities. WCHCC's financial statements are prepared on the accrual basis of accounting using the economic resources measurement focus and are based on accounting principles applicable to governmental units as established by the Governmental Accounting Standards Board (GASB) and the provisions of the American Institute of Certified Public Accountants "Audit and Accounting Guide, Health Care Entities," to the extent that they do not conflict with GASB.

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

*The notes to the financial statements present financial information for WCHCC and its blended component units and do not include financial information of Charity, except for Note 16.*

**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, pension liabilities, self-insurance liabilities, workers' compensation liabilities and post-retirement health insurance liabilities. Actual results may differ from those estimates.

Revisions to previously recorded estimates of net patient accounts receivable, third party payor liabilities, postretirement health insurance liabilities and malpractice insurance liabilities for the year ended December 31, 2015 resulted in an increase in operating income of approximately \$31.5 million.

**Patient Accounts Receivable and Net Patient Service Revenue**

Accounts receivable from patients and third-party payors at December 31, 2015, was comprised of Medicare, 20%, Medicaid, 25%; and commercial insurance, health maintenance organizations and others, 55%. Patient accounts receivable are recorded net of allowances for estimated uncollectible accounts of approximately \$60.7 million at December 31, 2015. Most of WCHCC's net patient service revenues are derived from third-party payment programs, including Medicare and Medicaid.

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

**Westchester County Health Care Corporation**  
**Notes to Financial Statements**  
**December 31, 2015**

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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, 2008, with the exception of the December 31, 2005 and 2004 cost reports.

**Assets Restricted as to Use**

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

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

**Grants and Contributions**

From time to time, WCHCC receives grants from the local, state and federal government as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as other revenue. At December 31, 2015, net contribution and grants receivables of approximately \$3.5 million, are included in the accompanying Statement of Net Position.

**Cash and Cash Equivalents and Investments**

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

**Westchester County Health Care Corporation**  
**Notes to Financial Statements**  
**December 31, 2015**

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At December 31, 2015, cash and cash equivalents consist of cash and all highly liquid instruments with maturities of three months or less at the date of purchase. 96% of cash and cash equivalents resides with a significant financial institution at December 31, 2015.

**Inventories**

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

**Capital Assets**

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

Gifts of long-lived assets such as land, buildings, and equipment are recorded at fair value at the date of the contribution and are excluded from operating income.

Depreciation is recorded using the straight-line method over the estimated useful life of each class of depreciable assets.

	<u>Estimated Useful Lives</u>
Land improvements	10 years
Buildings and building improvements	5 to 40 years
Equipment	5 to 20 years

Equipment under capitalized lease obligation are amortized using the straight-line method over the shorter period of the lease term or the estimated useful life of the leased equipment. Such amortization is included in depreciation and amortization expense in the financial statements. Interest cost, net of interest earned on those funds, incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of construction.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources until then. In addition to the liabilities, the Statement of Net Position includes an acquisition of a net position that applies to future periods and will not be recognized as an inflow of resources until that time. WCHCC's deferred outflow/inflow relates to amounts recorded in connection with the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*.

# **Westchester County Health Care Corporation**

## **Notes to Financial Statements**

### **December 31, 2015**

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#### **Net Position**

Unrestricted net position has no external restrictions as to use or purpose and is distinguished from net position restricted externally for specific purposes. Restricted net positions relate primarily to Federal and state grants for research and community programs and restricted contributions and endowments received from donors. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and trustee held assets for capital projects reduced by the outstanding balances of debt attributable to those assets.

#### **Concentrations of Credit Risk**

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

#### **Charity Care**

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

WCHCC maintains records identifying and monitoring the level of charity care it provides. WCHCC estimates the cost of charity care, by applying a ratio of overall costs to gross charges applied to the gross charity care charges during the year ended December 31, 2015, at approximately \$49.2 million, of which approximately \$11.8 million is the cost of charity care.

#### **Taxation**

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

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

#### **Compensated Absences**

WCHCC employees earn paid time off at varying rates depending on years of service, union affiliation and affiliated entity. Eligible paid time off accumulates and certain days are payable upon separation or retirement. The estimated amount of paid time off payable as separation payments or upon retirement is recorded as part of accrued salaries and related benefits in the accompanying Statement of Net Position.

#### **Impairment of Long-Lived Assets**

Long-lived assets are reviewed for impairment if circumstances suggest that there is a significant, unexpected decline in the service utility of a long-lived asset. The service utility of a long-lived asset is the usable capacity that at acquisition was expected to be used to provide service. An assessment of recoverability is performed prior to any write-down of assets and an impairment charge is recorded on those assets for which the estimated fair value is below its carrying amount. No impairment charges to long-lived assets were recorded for the year ended December 31, 2015.

**Westchester County Health Care Corporation**  
**Notes to Financial Statements**  
**December 31, 2015**

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**Adopted Accounting Pronouncements**

Effective January 1, 2015, WCHCC adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68* (collectively, GASB 68), which address accounting and financial reporting for pensions that are provided to employees of governmental employers through pension plans that are administered through trusts. WCHCC participates in State of New York administered pension plans.

The effect of the adoption of GASB 68 was approximately (\$9.4) million and to provide additional pension disclosures in Note 7.

**Pending Accounting Pronouncements**

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application* (GASB 72). The requirements of GASB 72 will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. GASB 72 also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. WCHCC is required to adopt GASB 72 for its year ending December 31, 2016.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). The primary objective of GASB 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). GASB 75 requires the liability of employers for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of the projected benefit payments to be provide to active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. WCHCC is required to adopt GASB 75 for the year ending December 31, 2018, early adoption is allowable.

WCHCC has not determined the effect of GASBs 72 and 75 on its financial statements.



**Westchester County Health Care Corporation**  
**Notes to Financial Statements**  
**December 31, 2015**

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**3. Deposits and Investments**

Deposits and investments consist of the following at December 31, 2015 (amounts in thousands):

	<u>2015</u>
<b>Description</b>	
Bank deposits	\$ 128,662
Mutual funds	28
Equities	30,121
Fixed income:	
US Treasury securities	68,109
Corporate bonds	41,806
	<u>\$ 268,726</u>

**Description on Statement of Net Position**

Cash and cash equivalents	\$ 118,295
Assets restricted as to use, required for current liabilities	29,165
Assets restricted as to use, net	<u>121,266</u>
	<u>\$ 268,726</u>

**Investment Maturities of Fixed Income Securities**

One year or less	\$ 42,608
After one through five years	56,106
After five through ten years	11,201
	<u>\$ 109,915</u>

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

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

*Credit Risk* - WCHCC investments in U.S. Treasury securities carry the explicit guarantee of the U.S. government. The corporate bonds are rated A- to AA+.

**Westchester County Health Care Corporation**  
**Notes to Financial Statements**  
**December 31, 2015**

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**4. Assets Restricted as to Use**

Assets restricted as to use consist of the following at December 31, 2015 (amounts in thousands):

	<u><b>2015</b></u>
<b>Time and purpose restricted</b>	
The Westchester Medical Center Foundation, Inc.	\$ 9,181
	<u>9,181</u>
<b>Under debt agreements</b>	
Debt service reserve funds	31,888
Other	938
	<u>32,826</u>
<b>Self-insurance funds</b>	
Insurance captive investments	111,003
	<u>153,010</u>
Less portion required for current liabilities	<u>29,776</u>
Assets restricted as to use, net	<u>\$ 123,234</u>

WCHCC's assets restricted as to use are reported at fair value, as described in Note 3. At December 31, 2015, the composition of assets restricted as to use consisted of the following (amounts in thousands):

	<u><b>2015</b></u>
Cash and cash equivalents	\$ 10,395
US Treasury securities	68,109
Corporate bonds	30,121
Equities	41,806
Other	2,579
	<u>\$ 153,010</u>

WCHCC's assets restricted as to use reported under debt agreements represent insured or registered funds, or securities held by WCHCC or its agent in WCHCC's name.

**Westchester County Health Care Corporation**  
**Notes to Financial Statements**  
**December 31, 2015**

**5. Capital Assets**

Capital asset activity for the year ended December 31, 2015 was as follows (amounts in thousands):

	Beginning balance	Additions and transfers	Retirements and transfers	Ending balance
Capital assets, not being depreciated:				
Land	\$ 1,587	\$ -	\$ -	\$ 1,587
Construction in process	23,081	12,827	(12,965)	22,943
Capital assets, being depreciated:				
Building and improvements	476,873	41,579	(5)	518,447
Equipment	517,578	29,752	-	547,330
Land Improvements	9,175	1,450	-	10,625
Total capital assets being depreciated	<u>1,003,626</u>	<u>85,608</u>	<u>(12,970)</u>	<u>1,076,402</u>
Less accumulated depreciation for:				
Building and improvements	(256,876)	(19,788)	5	(276,659)
Equipment	(354,317)	(33,107)	1,456	(385,968)
Land improvements	(7,515)	(174)	-	(7,689)
Total accumulated depreciation	<u>(618,708)</u>	<u>(53,069)</u>	<u>1,461</u>	<u>(670,316)</u>
Carrying value of all capital assets, net	<u>\$ 409,586</u>	<u>\$ 32,539</u>	<u>\$ (11,509)</u>	<u>\$ 430,616</u>

Construction in progress relates to various capital projects. The additional costs to complete such projects are anticipated to aggregate approximately \$18.8 million as of December 31, 2015.

Included in capital assets is capitalized interest, net of accumulated amortization, of approximately \$12.0 million as of December 31, 2015. The net book value of capital leases held under lease obligations, included in equipment, is approximately \$19.0 million as of December 31, 2015.

**6. Long-Term Debt**

Long-term debt activity as of December 31, 2015 was as follows (amounts in thousands):

	December 31, 2014	Additions	Reductions	December 31, 2015	Amounts due Within One Year
2000 Series Bonds (a)	\$ 108,170	\$ -	\$ -	\$ 108,170	\$ -
2010 Series Bonds (b)	247,125	-	(10,215)	236,910	10,720
2011 Series Bonds (c)	63,980	-	(100)	63,880	100
2014 Series Bonds (d)	27,352	-	(411)	26,941	432
2015 Series Bonds (e)	-	25,000	(191)	24,809	585
Bond Premium/Discount	966	-	(70)	896	-
Capital leases (f)	47,834	2,412	(35,764)	14,482	5,605
	<u>\$ 495,427</u>	<u>\$ 27,412</u>	<u>\$ (46,751)</u>	<u>\$ 476,088</u>	<u>\$ 17,442</u>

**Westchester County Health Care Corporation**  
**Notes to Financial Statements**  
**December 31, 2015**

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

In December 2011, WCHCC participated in a bond remarketing of the Series 2000A Bonds following a call for purchase implemented pursuant to the Master Trust Indenture (MTI). At that time the Westchester County guarantee on the Series 2000A Bonds was eliminated.

WCHCC has granted a collateral interest in its gross receipts as well as pledged all funds and accounts established with respect to the Series 2000 Bonds, including a debt service reserve fund of approximately \$10.8 million as of December 31, 2015 (see Note 4).

Interest expense relating to the Series 2000 Revenue Bonds was approximately \$5.3 million in 2015.

- b. In December 2010, WCHCC participated in a bond offering 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.

In December 2010, WCHCC also participated in a bond offering 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 0.40% and 0.08% at December 31, 2015 and 2014, respectively, maturing November 1, 2034. The 2010D series consist of variable rate demand bonds (VRDBs). WCHCC has entered into an irrevocable letter of credit (LOC) with a financial institution to secure bond repayment and interest obligations associated with its VRDBs. If the VRDBs are unable to be remarketed, the trustee for the VRDB will request purchase under the LOC scheduled repayment terms. Based on the existing terms of the underlying LOC, the LOC will expire on December 21, 2018.

**Westchester County Health Care Corporation**  
**Notes to Financial Statements**  
**December 31, 2015**

---

The proceeds of the Series 2010 Bonds and Series 2010D Bonds, together with available funds, were 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 \$18.7 million as of December 31, 2015 (see Note 4).

Interest expense, net of capitalized interest, relating to the Series 2010 Bonds and Series 2010D Bonds was approximately \$12.5 million in 2015.

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

The proceeds of the Series 2011 Bonds, together with available funds, were used to (i) finance certain capital projects at WCHCC facilities; (ii) reimburse WCHCC for prior capital expenditures; (iii) fund a portion of the debt service reserve fund accounts for the Series 2011 Bonds and (iv) pay costs related to the issuance of the aforementioned bonds.

WCHCC has granted a collateral interest in its gross receipts, as well as pledged all funds and accounts established with respect to the Series 2011 Bonds, including a debt service reserve fund of approximately \$3.4 million as of December 31, 2015 (see Note 4).

Interest expense, net of capitalized interest, relating to the Series 2011 Bonds was approximately \$3.1 million in 2015.

- d. In May 2014, WCHCC participated in a bond offering relating to \$27,352,000 Westchester County Health Care Corporation Revenue Bonds, Series 2014A, Senior Lien with an interest rate of 5% and maturing November 1, 2044.

The proceeds of the Series 2014 Bonds, together with available funds, were used for the acquisition of substantially all the assets of Saint Francis Hospital Poughkeepsie, New York and certain related entities (St. Francis) through the exchange of the Series 2014A Bonds for certain obligations issued by the Dutchess County Industrial Development Agency for the benefit of St. Francis.

Interest expense relating to the Series 2014 Bonds was approximately \$1.4 million in 2015.

- e. In July 2015, WCHCC participated in a private placement bond offering relating to \$25,000,000 Dutchess County Local Development Corporation Revenue Bonds, Series 2015, consisting of \$20,350,000 Series 2015A (Tax-Exempt) with an interest rate of 3.75% and maturing August 1, 2030, and \$4,650,000 Series 2015B (Taxable) with an interest rate of 5.95% and maturing August 1, 2030.

**Westchester County Health Care Corporation**  
**Notes to Financial Statements**  
**December 31, 2015**

---

The proceeds of the Series 2015 Bonds were used to finance the acquisition of a building at the MidHudson Campus which was previously a capital lease of WCHCC.

Interest expense relating to the Series 2015 Bonds was approximately \$0.4 million in 2015.

- f. WCHCC has entered into certain capital lease agreements that are collateralized by the underlying equipment or real estate and bear interest at rates between 2.35% and 6.49%. The interest expense under these leases was approximately \$1.3 million in 2015.

*Long-Term Debt Service Coverage Ratio*

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 all series of Bonds. For the year ended December 31, 2015, WCHCC met the required Long-Term Debt Service Coverage Ratio

*Future Principle and Interest Payments*

The following is a schedule by year of future principal and interest payments on the 2000, 2010, 2011, 2014 and 2015 Series Bonds. Future interest payment are calculated on the stated fixed rates for each issuance except for the variable Series 2010D bonds for which an assumed rate of interest of 2% was used (amounts in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 11,837	\$ 21,943	\$ 33,780
2017	12,417	21,356	33,773
2018	13,041	20,743	33,784
2019	13,172	20,110	33,282
2020	13,537	19,476	33,013
2021-2025	70,805	87,473	158,278
2026-2030	101,944	68,485	170,429
2031-2035	96,801	46,656	143,457
2036-2040	117,371	22,684	140,055
2041-2044	9,785	986	10,771
	<u>\$ 460,710</u>	<u>\$ 329,912</u>	<u>\$ 790,622</u>

**Westchester County Health Care Corporation**  
**Notes to Financial Statements**  
**December 31, 2015**

---

The future minimum lease payments under the capital lease obligations, together with the present value of the minimum lease payments as of December 31, 2015, are as follows (amounts in thousands):

<b>Year</b>	<b><u>Amount</u></b>
2016	\$ 6,070
2017	4,911
2018	3,384
2019	834
2020	<u>122</u>
	15,321
Less: Amount representing interest	<u>839</u>
Present value of net minimum lease payments	14,482
Less: Current portion	<u>5,605</u>
	<u>\$ 8,877</u>

**7. Retirement Plans**

***Defined Benefit Plans***

The New York State Comptroller’s Office administers the New York State and Local Employers’ Retirement System (ERS) for which WCHCC is a participating employer. The net position of ERS is held in the New York State Common Retirement Fund (the Fund), which was established to hold all assets and record changes in fiduciary net position allocated to ERS.

The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of ERS. ERS benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute.

ERS is a cost-sharing, multiple employer defined benefit pension plan. ERS is included in the New York State financial statements as a pension trust fund. The Public Employees’ Group Life Insurance Plan (GLIP) provides death benefits in the form of life insurance. Amounts related to GLIP have been apportioned to ERS. Separately issued financial statements for ERS can be accessed on the State Comptroller’s website at [www.osc.state.ny.us/pension/CAFR.htm](http://www.osc.state.ny.us/pension/CAFR.htm).

ERS offers a wide range of programs and benefits. ERS benefits vary based on the date of membership, years of credited service and final average salary, vesting of retirement benefits, death and disability benefits, and optional methods of benefit payments. Both plans provide a permanent annual cost-of-living increase to both current and future retired members meeting certain eligibility requirements. Participating employers are required under law to contribute to ERS on an actuarially determined rate which is determined annually by the State Comptroller and the average contribution rate for the fiscal year ended March 31, 2015 was approximately 20.1 percent of payroll. ERS provides retirement benefits as well as death and disability benefits. For those members joining prior

**Westchester County Health Care Corporation**  
**Notes to Financial Statements**  
**December 31, 2015**

---

to January 1, 2010 benefits generally vest after five years of credited service. For those joining after January 1, 2010, benefits generally vest after 10 years of credited service. The RSSL provides that all participants in ERS are jointly and severally liable for any actuarial unfunded amounts. Such amounts are collected through annual billings to all participating employers. Employees who joined ERS after July 27, 1976 and before January 1, 2010, and have less than ten years of service or membership are required to contribute 3 percent of their salary. Those joining on or after January 1, 2010 and before April 1, 2012 are required to contribute 3.5 percent of their annual salary for their entire working career. Those joining on or after April 1, 2012 are required to contribute between 3 percent and 6 percent, dependent upon their salary, for their entire working career. Employee contributions are deducted from their salaries and remitted on a current basis to ERS.

*Net pension liabilities, pension expense, deferred outflows of resources, and deferred inflows of resources related to pensions*

Net pension liabilities, pension expense, deferred outflows of resources, and deferred inflows of resources amounts recorded to reflect the provisions of GASB 68 are reflective of ERS's published financial statements and actuarial valuations as of March 31, 2015 (Measurement Date).

WCHCC's respective net pension liability, deferred outflows of resources, deferred inflows of resources and net pension expense related to ERS as of and for the year ended December 31, 2015, are as follows (amounts in thousands):

Proportionate share of the net pension liability		
2015 - Amount	\$	40,168
2015 - Percentage		0.890%
2014 - Percentage		0.890%
Deferred outflows of resources	\$	6,177
Deferred inflows of resources	\$	1,980
Net pension expense	\$	26,682

WCHCC's proportionate share of ERS's 2015 net pension liability is consistent with the manner in which contributions to ERS are determined. ERS computed each employer's projected long-term contribution effort to ERS as compared to the total projected long-term contribution of all employers to ERS.



**Westchester County Health Care Corporation**  
**Notes to Financial Statements**  
**December 31, 2015**

---

The components of pension related deferred outflows of resources and deferred inflows of resources at the Measurement Date are as follows (amounts in thousands):

**Deferred outflows of resources**

Differences between expected and actual experience	\$ 961
Net difference between projected and actual investment earnings on pension plan investments	<u>5,216</u>
	<u>\$ 6,177</u>

**Deferred inflows of resources**

Changes in proportion and difference between employer contributions and proportionate share of contributions	<u>\$ 1,980</u>
	<u>\$ 1,980</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be reflected in other nonoperating activities, net, as revenues or (expenses), in the statement of revenues, expenses, and changes in net position as follows (amounts in thousands):

2016	\$ 1,049
2017	1,049
2018	1,049
2019	<u>1,050</u>
	<u>\$ 4,197</u>

*Actuarial Assumptions*

WCHCC's net pension liability at the Measurement Date was determined by using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to March 31, 2015. The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation rate	2.70%
Salary increases	4.9% indexed by service
Investment rate of return, including inflation	7.5% compounded annually, net of investment expenses
Cost of living adjustments	1.4 % annually
Decrements	Developed from the 2010 experience study for the period April 1, 2005 through March 31, 2010
Mortality improvement	Society of Actuaries Scale MP-2014

**Westchester County Health Care Corporation**  
**Notes to Financial Statements**  
**December 31, 2015**

---

*Long Term Expected Rate of Return*

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for equities and fixed income as well as historical investment data and plan performance. Best estimates of arithmetic real rates of return for each major asset class including target asset allocation at the Measurement Date are summarized below:

<u>Asset Class</u>	<u>ERS</u>	
	<u>Target Allocation</u>	<u>Long term expected real rate of return</u>
Domestic equity	38%	7.30%
International equity	13%	8.55
Private equity	10%	11.00
Real estate	8%	8.25
Absolute return strategies	3%	6.75
Opportunistic portfolio	3%	8.60
Real assets	3%	8.65
Bonds and mortgages	18%	4.00
Cash	2%	2.25
Inflation-Indexed Bonds	2%	4.00
	100%	

*Discount Rate*

The discount rate used to calculate the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, ERS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Discount Rate Sensitivity*

WCHCC's proportionate share of the net pension liability calculated using the respective discount rate, as well as what WCHCC's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate are as follows (amounts in thousands):

**Westchester County Health Care Corporation**  
**Notes to Financial Statements**  
**December 31, 2015**

---

	<u>Rate</u>	<u>Amount</u>
1% decrease	6.50%	\$ 200,159
Current discount rate	7.50%	29
1% increase	8.50%	(113,602)

*Deferred Pension Contributions*

NYSRSSL Chapter 57 of the Laws of 2010 authorized the New York State and local employers to amortize over ten years, at 3.15% (2015), 3.67% (2014), 3.00% (2013) and 3.75% (2012) interest, the portion of their annual bill that exceeded 13.5%, 12.5%, 11.5% and 10.5% of payroll for its 2015, 2014, 2013 and 2012 pension bills respectively. Total amount due at December 31, 2015 related to these deferred pension contributions is approximately \$39.5 million and is include as part of other long-term liabilities (note 10).

*Defined Contribution Pension Plan*

WCHCC also provides a 401(k) Plan (the Plan) for certain employees of Mid-Hudson Valley Staffco and WM Regional Physician Services. The Plan is a defined contribution plan open to eligible participants who have attained the age of 21 years. Employees are eligible to contribute to the Plan upon hire and vest immediately. Employer contributions begin upon the employee reaching two years of service. Eligible employees will receive employer contributions of 4% of gross salary matching contribution. Employees vest in employer contributions immediately upon earning the contributions. As of December 31, 2015, there were approximately 920 participants in the Plan. For the year ended December 31, 2015 the Plan had total payroll expense of approximately \$93.1 million of which approximately \$81.7 million was covered by the Plan. Total employer contributions to the Plan for December 31, 2015 were approximately \$1.9 million.

**8. Other Postemployment Benefits**

WCHCC provides Other Postemployment Benefits (OPEB) that provides basic medical and hospitalization plan coverage to eligible retirees through a single employer defined benefit plan. The plan does not issue its own stand-alone financial statements. Eligible retirees may only be covered under the indemnity plan of WCHCC. To qualify, retirees must (i) have at least five years of paid service with WCHCC (service prior to January 1, 1998 with the County counts towards the five-year requirement) and (ii) be eligible to receive a retirement allowance from a retirement system administered by the State of New York or one of its civil divisions. Employees hired on or after January 1, 2007 require 20 years of service to qualify for a post-retirement health benefit. Individual coverage is provided to retirees at no cost. Subsequent to December 31, 2013, certain retirees are required to contribute to the cost of this coverage. Retirees may elect family coverage at a cost of 20% of the difference between the premium equivalent cost of family and individual coverage. Currently, 76% of the participants have elected individual coverage.

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

**Westchester County Health Care Corporation**  
**Notes to Financial Statements**  
**December 31, 2015**

The following table shows the components of WCHCC's annual OPEB cost for the years ended December 31, 2015 and 2014, the amount actually contributed to the plan, and changes in WCHCC's net OPEB obligation (amounts in thousands).

	<u>2015</u>	<u>2014</u>
Annual OPEB cost:		
Annual required contribution (ARC):		
Normal cost	\$ 4,304	\$ 4,200
Amortization payment	11,472	11,355
Interest cost	631	621
Total	<u>16,407</u>	<u>16,176</u>
ARC adjustment	(2,826)	(2,763)
Interest on net OPEB obligation	2,958	2,893
Annual OPEB cost	<u>\$ 16,539</u>	<u>\$ 16,306</u>
Net OPEB obligation:		
Annual required contribution	\$ 16,539	\$ 16,306
Amortization of change in estimate	(1,401)	(1,401)
Contributions made	<u>(12,480)</u>	<u>(13,262)</u>
Increase in OPEB obligation	2,658	1,643
Net OPEB obligation - beginning of year	<u>75,362</u>	<u>73,719</u>
Net OPEB obligation - end of year	<u>\$ 78,020</u>	<u>\$ 75,362</u>
Percentage of annual OPEB:		
Cost contributed	75.46 %	81.33 %

Annual OPEB cost, contributions made and percentage of costs contributed for the year ended December 31, 2013 were \$16.2 million, \$12.6 million and 77.80%, respectively.

As of January 1, 2014 and 2013, the plan was unfunded. The unfunded actuarial accrued liability (UAAL) as of December 31, 2015 and 2014 is \$300.2 million and \$297.1 million, respectively. The covered payroll (annual payroll of active employees covered by the plan) and the ratio of the UAAL to the covered payroll as of December 31, 2015 and 2014 is \$188.7 million and 159.1% and \$179.5 million and 165.8%, respectively. (See Required Supplementary Information).

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, including assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. WCHCC's most recent actuarial evaluation was performed on January 1, 2015 and reported an actuarial accrued liability of \$300.2 million which was not funded.

**Westchester County Health Care Corporation**  
**Notes to Financial Statements**  
**December 31, 2015**

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

For the 2015 and 2014 actuarial valuation, the entry age normal actuarial cost method was used. The UAAL is amortized over a closed layered 30 year period using a level percentage of payroll. For 2015, the actuarial assumptions include a 4% discount rate, and an annual initial health trend rate of 6.9% for pre-65 and 5.7% for post-65, grading over ten years to an ultimate rate of 3.8% for pre-65 and 3.8% for post-65. For 2014, the actuarial assumptions include a 4% discount rate, and an annual initial health trend rate of 8.0% for pre-65 and 5.3% for post-65, grading over ten years to an ultimate rate of 3.7% for pre-65 and 3.8% for post-65.

**9. Self-Insurance Liability**

The following is the activity of the self-insurance liability for the years ended December 31, 2015 and 2014 (amounts in thousands):

	<b>December 31,</b>			<b>December 31,</b>	
	<b>2014</b>	<b>Additions</b>	<b>Reductions</b>	<b>2015</b>	<b>Amounts Due Within One Year</b>
Workers' compensation					
self-insurance (a)	\$ 21,480	\$ 4,469	\$ (6,269)	\$ 19,680	\$ 4,920
Malpractice self-insurance (b)	87,359	10,613	(8,731)	89,241	22,000
Health insurance (c)	3,700	48,460	(48,660)	3,500	3,500
Other self-insurance (d)	2,075	875	(675)	2,275	375
	<u>\$ 114,614</u>	<u>\$ 64,417</u>	<u>\$ (64,335)</u>	<u>\$ 114,696</u>	<u>\$ 30,795</u>

	<b>December 31,</b>			<b>December 31,</b>	
	<b>2013</b>	<b>Additions</b>	<b>Reductions</b>	<b>2014</b>	<b>Amounts Due Within One Year</b>
Workers' compensation					
self-insurance (a)	\$ 20,310	\$ 7,639	\$ (6,469)	\$ 21,480	\$ 4,500
Malpractice self-insurance (b)	89,812	6,667	(9,120)	87,359	17,000
Health insurance (c)	4,700	44,476	(45,476)	3,700	3,700
Other self-insurance (d)	1,775	450	(150)	2,075	-
	<u>\$ 116,597</u>	<u>\$ 59,232</u>	<u>\$ (61,215)</u>	<u>\$ 114,614</u>	<u>\$ 25,200</u>

- a. The Medical Center is self-insured for workers' compensation and has excess insurance coverage that attaches at \$0.75 million per occurrence with \$1.0 million in annual aggregate coverage. As part of the Medical Center's workers' compensation self-insurance plan, the Medical Center obtains a semi-annual actuarial valuation to determine its self-insurance liabilities, including amounts for claims incurred but not reported. Such valuation is based on the Medical Center's specific and industry-wide data.

**Westchester County Health Care Corporation**  
**Notes to Financial Statements**  
**December 31, 2015**

---

The following represents information as it relates to the Medical Center's workers' compensation self-insurance plan as of December 31 (amounts in thousands):

	<u>2015</u>		<u>2014</u>
Gross self-insurance liability	\$ 18,106	\$	22,214
Present value of self-insurance liability	17,521		21,480
Discount factor	3.5%		3.5%

Prior to June 30, 2015, Mid-Hudson Valley Staffco had workers' compensation coverage from a commercial insurance carrier under a claims-made basis and did not purchase excess insurance. On July 1, 2015, Mid-Hudson Valley Staffco's became self-insured for workers' compensation and excess insurance coverage was purchased that attached at \$0.75 million per occurrence with \$1.0 million in annual aggregate coverage.

As part of Mid-Hudson Valley Staffco's workers' compensation self-insurance plan, Mid-Hudson Valley Staffco obtains a semi-annual actuarial valuation to determine its self-insurance liabilities, including amounts for claims incurred but not reported. Such valuation is based on Mid-Hudson Valley Staffco's specific and industry-wide data.

The following represents information as it relates to Mid-Hudson Valley Staffco's workers' compensation self-insurance plan as of December 31 (amounts in thousands):

	<u>2015</u>
Gross self-insurance liability	\$ 2,394
Present value of self-insurance liability	2,159
Discount factor	3.5%

All other WCHCC entities have workers' compensation coverage provided by a commercial insurance carrier under a claims-made basis and with no excess insurance coverage purchased.

- b. Effective January 1, 1998, WCHCC commenced operations of WCHCC Bermuda, a captive insurance company. WCHCC Bermuda has provided the hospital professional liability insurance (HPL) and general liability insurance (GL) for WCHCC since January 1, 1998 and has insured and/or reinsured the physicians and surgeons professional liability (PPL) through December 31, 2007.

Effective January 1, 2008, approximately 300 private attending physicians, many of whom had previously been provided malpractice insurance coverage through WCHCC Bermuda, obtained coverage with a commercial insurance company - Academic Health Professionals Insurance Association (Academic Health). WCHCC Bermuda will continue to provide insurance coverage for WCHCC and certain of its employed physicians. In addition, an excess insurance policy was purchased. This excess liability insurance policy attaches above the HPL and GL for the Medical Center's employed physicians and above the first layer of excess of those physicians insured by Academic Health. As of January 1, 2010, excess insurance will no longer attach above the first layer of excess of those physicians insured by Academic Health.

**Westchester County Health Care Corporation**  
**Notes to Financial Statements**  
**December 31, 2015**

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Outstanding projected liabilities are composed of estimates of the ultimate case value (indemnity and expenses) established by an independent case adjuster, plus a provision for losses incurred, but not reported, based on the recommendations of an independent actuary using historical and industry data. WCHCC Bermuda's actuarial liabilities have been discounted at 3.5% at December 31, 2015.

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, 2015, WCHCC Bermuda is required to maintain a minimum statutory capital and surplus of \$8.8 million. As of December 31, 2015, actual statutory capital and surplus was approximately \$50.4 million.

HPL coverage is provided on an occurrence basis with coverage of \$12.0 million in 2015, for each and every claim with no aggregate limit for the Medical Center and its employed physicians. The excess liability insurance policy attaches above the HPL and GL for the Medical Center and above each employed physician.

- c. WCHCC is self-insured for health insurance for all employees. Claims which have been incurred and incurred but not reported represent a liability to WCHCC at December 31, 2015 and as such, a liability has been included in the accompanying Statement of Net Position.
- d. Professional and general liability claims have been asserted against WCHCC by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial. The outcome of these actions cannot be predicted with certainty by management or by legal counsel to WCHCC or by the respective insurance companies handling such matters. There are known incidents that may result in the assertion of additional claims, and such other claims may arise. It is the opinion of management, in consultation with WCHCC's legal counsel, that the final disposition of such claims will not have a material adverse effect on WCHCC's financial position, results of operations, or liquidity.

**10. Other Long-Term Liabilities**

The following is the composition and activity of WCHCC's other long-term liabilities for the year ended December 31, 2015 (amounts in thousands):

	December 31,			December 31,	
	2014	Additions	Reductions	2015	Amounts Due Within One Year
Self insurance liabilities (Note 9)	\$ 114,614	\$ 64,417	\$ (64,335)	\$ 114,696	\$ 30,795
Third party liabilities, net (Note 15)	67,705	6,365	(37,003)	37,067	952
Post retirement health insurance (Note 8)	75,362	16,539	(13,881)	78,020	13,433
Net pension liability (Note 7)	-	30,029	-	30,029	-
Other liabilities	4,232	34,031	(26,695)	11,568	11,207
Deferred pension contributions (Note 7)	33,575	10,398	(4,487)	39,486	4,336
Total other long-term liabilities	<u>\$ 295,488</u>	<u>\$ 161,779</u>	<u>\$ (146,401)</u>	<u>\$ 310,866</u>	<u>\$ 60,723</u>

**Westchester County Health Care Corporation**  
**Notes to Financial Statements**  
**December 31, 2015**

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**11. Affiliation Agreement**

WCHCC has an affiliation agreement with New York Medical College (the College), under the terms of which WCHCC pays the College for salaries and fringe benefits for supervisory physicians' services. For the year ended December 31, 2015, the College was reimbursed approximately \$20.8 million, which is included in supplies and other expenses in the accompanying Statement of Revenues, Expenses, and Changes in Net Position.

**12. Operating Leases**

WCHCC leases various equipment and facilities under operating leases expiring at various dates.

The following is a schedule by year for the next five years of future minimum lease payments and lease rental income under noncancelable operating leases as of December 31, 2015 that have initial or remaining lease terms in excess of one year (amounts in thousands):

	<u>Rent Expense</u>	<u>Rent Income</u>
2016	\$ 15,119	\$ 4,172
2017	5,576	4,098
2018	2,521	4,124
2019	794	4,138
2020	758	3,980

Total rental expense in 2015 for all operating leases was approximately \$20.8 million. Total rental income in 2015 for all operating leases was approximately \$4.2 million.

**13. Westchester County Relationship**

In 1997, the State adopted legislation that created WCHCC as a New York public benefit corporation effective January 1, 1998. At that time, the facilities and operations of WCHCC were transferred from the County to WCHCC pursuant to a long-term lease and operating agreement. Subsequently, a Transition Agreement and an Amended and Restated Lease Agreement (Lease) were affected. The Lease is a 60-year real property lease for land and facilities with an option for extension.

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

Effective January 1, 2008, the County and WCHCC replaced the Transition Agreement with the Cooperation Agreement, which is a ten year agreement that may be terminated by either party upon ninety days notice.

The Cooperation Agreement addresses several legacy issues between WCHCC and the County. For example, WCHCC is required to achieve certain financial targets and provide regular financial reports to the County. The Cooperation Agreement also allows for credit support and additional guarantees of WCHCC's long-term debt at the discretion of the County, of which there was none as of December 31, 2015.



**Westchester County Health Care Corporation**  
**Notes to Financial Statements**  
**December 31, 2015**

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During 2015, WCHCC purchased services from Westchester County of approximately \$8.2 million which are included in supplies and other expenses in the accompanying Statement of Revenues, Expenses, and Changes in Net Position.

**14. Commitment and Contingencies**

***Reimbursement***

WCHCC has agreements with third-party payors that provide for payments to WCHCC at amounts different from its established rates. Estimated third-party-payor liabilities for the year ended December 31, 2015 is approximately \$37.1 million and is included in other long-term liabilities (Note 10). A summary of the payment arrangements follows:

***Medicare***

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

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

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

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

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

New York State regulations provide for the distribution of funds from an indigent care pool which is intended to partially offset the cost of services provided to the uninsured. The funds are distributed to the hospitals based on each hospital's level of bad debts and charity care in relation to all other hospitals. For the year ended December 31, 2015, WCHCC received distributions of approximately \$20.6 million from the indigent care pool, which are included in net patient service revenue in the accompanying Statement of Revenues, Expenses and Changes in Net Position.

**Westchester County Health Care Corporation**  
**Notes to Financial Statements**  
**December 31, 2015**

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

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

Revenue from the Medicare and Medicaid programs accounted for approximately 21% and 10%, respectively, of WCHCC's net patient service revenue for the year ended December 31, 2015. 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.

***Other Matters***

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

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

WCHCC has received payments related to Medicaid services and settlement, DSH and other Medicare related reimbursements. Due to the fact that certain of these revenues may be subject to adjustment as a result of examination by government agencies, management has determined that not all of these receipts are realizable as of December 31, 2015 and therefore have not been recognized as revenue given uncertainties and the fact that they are subject to further adjustment.

The operation of WCHCC's patient care services business is subject to federal and state laws prohibiting fraud by healthcare providers, including laws containing criminal provisions, which prohibit filing false claims or making false statements in order to receive payment or obtain certification under Medicare and Medicaid programs, or failing to refund overpayments or improper payments. Violation of these criminal provisions is a felony punishable by imprisonment and/or fines.

**Westchester County Health Care Corporation**  
**Notes to Financial Statements**  
**December 31, 2015**

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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.

On July 30, 2015, WCHCC received a civil investigative demand (“CID”) issued by the United States Attorney’s Office for the Southern District of New York (“SDNY”). The CID relates to a False Claims Act investigation being conducted jointly by the SDNY and the Office of the New York Attorney General, Medicaid Fraud Control Unit (“NYAG”) concerning possible false claims submitted, or caused to be submitted, to the Medicaid and Medicare programs in the course of furnishing clinical services as part of clinical trials for which New York Medical College faculty physicians serve as principal investigators (the “Investigation”). Since receiving the CID, WCHCC has produced to the SDNY and NYAG information and documents responsive to the CID, and has made certain of its personnel available for interviews by the SDNY and NYAG. It is our understanding that the investigation is ongoing. Management believes that any payments that may be required to be made in connection therewith will not have a material adverse effect on the financial position of WCHCC.

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.

***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 Statement of Revenues, Expenses and Changes in Net Position. In 2015, WCHCC recorded approximately \$57.5 million, of net DSH revenue. Amounts recognized as revenue represent amounts received for which all required Federal and State approvals have been received in WCHCC’s fiscal year.

***Delivery System Reform Incentive Program***

WCHCC is leading one of the twenty-five Performing Provider Systems (PPS) in New York State that are implementing the Delivery System Reform Incentive Program (DSRIP). This PPS, known as WMCHHealth PPS, is expected to receive up to \$274 million over the five year life of the DSRIP Program, which commenced April 1, 2015, subject to satisfaction of program milestones that are measured at various stages of the DSRIP Program. In 2015, WCHCC has received approximately \$26.4 million in DSRIP funds. WCHCC records DSRIP in other operating revenue in the accompanying Statement of Revenues, Expenses and Changes in Net Position.

The WMCHHealth PPS involves partnerships with over 200 organizations throughout its primary and secondary service areas. These include other hospitals, physician groups, community health centers, behavioral health providers, county health and mental health departments and community-based organizations. The DSRIP Program goals include more efficient and effective delivery of care to

**Westchester County Health Care Corporation**  
**Notes to Financial Statements**  
**December 31, 2015**

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Medicaid recipients and the reduction of unnecessary emergency room visits, hospitalizations and readmissions.

**15. Line of Credit**

WCHCC has a \$35.0 million working capital revolving line of credit from a financial institution. The line of credit matures on October 28, 2016 and may be renewed with the approval of the financial institution or converted to a three year term loan. WCHCC has not drawn down on the line of credit and as of December 31, 2015, there is no amount outstanding.

**16. Bon Secours Charity**

Charity is a discretely presented component unit of WCHCC. Charity's financial statements are prepared on the accrual basis of accounting using the economic resources measurement focus and are based on accounting principles applicable to governmental units as established by GASB and the provisions of the American Institute of Certified Public Accountants "*Audit and Accounting Guide, Health Care Entities,*" to the extent that they do not conflict with GASB.

In May of 2015, Charity participated in a bond offering dated May 14, 2015 relating to \$122,319,000 Bon Secours Charity Health System, Inc. Taxable Bonds, Series 2015, consisting of \$36,640,000 Bonds with an interest rate of 5.25% and maturing on November 1, 2025 and \$83,679,000 Bonds with an interest rate of 6.25% and maturing on November 1, 2035. WCHCC guarantees the scheduled payments of principal and interest on the Charity Series 2015 Bonds. The proceeds of the bonds were used to repay \$120.0 million in amounts due to BSHSI for intercompany indebtedness prior to May 19, 2015 and certain issuance costs.

In addition to the repayment of the intercompany debt, BSHSI forgave approximately \$128.0 million in additional intercompany indebtedness as part of the affiliation agreement with WCHCC.

On October 28, 2015, Charity obtained a \$20 million line of credit for general corporate purposes from a financial institution. The line of credit matures on October 28, 2016 and the maturity date may be extended with the approval of the financial institution. Charity has not drawn down on the line of credit and as of December 31, 2015, there is no amount outstanding. WCHCC guarantees the Charity line of credit.

Effective December 31, 2015, Charity has withdrawn from a pension plan sponsored by the Archdiocese of New York. The withdrawal liability is approximately \$13.7 million which was accrued at December 31, 2015 and is expected to be paid over five years. Alternative pension arrangements have been put in place.

Approximately 50% of Charity employees are union employees who are covered under the terms of various collective bargaining agreements. These contracts expired in 2015. Charity management is currently negotiating to renew these contracts and does not anticipate results inconsistent with recent market trends.

Payments of approximately \$1.4 million were made in 2015 by Charity to WCHCC for services provided under a management agreement.

**Westchester County Health Care Corporation**  
**Notes to Financial Statements**  
**December 31, 2015**

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**17. Subsequent Events**

*Acquisition*

On March 30, 2016, WCHCC, through its newly created wholly owned subsidiary, WMC Health Network - Ulster, Inc. (WMC - Ulster) became the sole corporate member of Health Alliance of the Hudson Valley (Health Alliance). Health Alliance includes three hospitals, two of which are located in Kingston, New York, and a third, a fifteen bed critical access hospital, located in Margaretville, New York. Total operating revenues for the year ended December 31, 2015 for the relevant Health Alliance entities is approximately \$177.0 million (unaudited).

*Bond Offering*

In March 2016, WCHCC participated in a bond offering relating to \$283,580,000 Westchester County Local Development Corporation Revenue Bonds, Series 2016 (Westchester Medical Center Obligated Group Project) (Series 2016 Bonds), Tax Exempt with an interest rates varying from 3.0% to 5.0% and maturing November 1, 2016 through November 1, 2034, November 1, 2037 and November 1, 2046.

The proceeds of the Series 2016 Bonds, together with other available funds, will be used to (i) finance certain capital projects at WCHCC facilities; (ii) advance refund a portion of WCHCC's outstanding Series 2010B Bonds and Series 2010C-2 Bonds; (iii) fund capitalized interest on the Series 2016 Bonds and (iv) pay costs related to the issuance of the aforementioned bonds.

WCHCC has granted a collateral interest in its gross receipts as well as pledged all funds and accounts established with respect to the Series 2016 Bonds.

**Westchester County Health Care Corporation**  
**Required Supplementary Information (Unaudited)**  
**(Amounts in Thousands)**  
**December 31, 2015**

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**Schedule of Proportionate Share of the Net Pension Liability\***

Reporting fiscal year (Measurement Date, March 31,)	WCHCC's proportion of the net pension liability		WCHCC's covered employee payroll	WCHCC's proportionate share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
	%	\$			
2015 (2015)	0.890%	\$ 30,029	\$ 249,512	12.04%	97.90%

**Schedule of Employer Contributions\***

Reporting fiscal year	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	WCHCC's covered employee payroll	Contributions as a percentage of employee covered payroll
2015	\$ 41,017	\$ 41,017	\$ -	\$ 249,512	16.44%

\* These schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

**Westchester County Health Care Corporation**  
**Supplementary Schedule - Combining Statements of Revenues, Expenses, and**  
**Changes in Net Position Information**  
**(Amounts in Thousands)**  
**December 31, 2015**

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**Schedule of Funding Progress - Other Postemployment Benefits**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrual Liability (AAL) Initial Entry Age (b)</b>	<b>Unfunded (AAL) (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>(UAAL) As a Percentage of Covered Payroll ((b-a)/c)</b>
01/01/15	\$ -	\$ 300,216	\$ 300,216	0.0%	\$ 188,736	159.1%
01/01/14	\$ -	\$ 297,146	\$ 297,146	0.0%	\$ 179,466	165.6%
01/01/13	\$ -	\$ 276,824	\$ 276,824	0.0%	\$ 174,737	158.4%
01/01/12	\$ -	\$ 281,128	\$ 281,128	0.0%	\$ 184,522	152.4%

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