

# Westchester County Health Care Corporation

## Property, Plant and Equipment

### As of December 31, 2017

#### 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 that have an economic life greater than one year 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>Useful Lives</u>
Land improvements	10 years
Buildings and building improvements	5 to 40 years
Equipment	5 to 20 years

Equipment under capitalized lease obligations 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 costs of construction.

Capital asset activity for the year ended December 31, 2017 was as follows (amounts in thousands):

	<u>Beginning balance</u>	<u>Additions and transfers</u>	<u>Retirements and transfers</u>	<u>Ending balance</u>
Land	\$ 1,587	\$ -	\$ -	\$ 1,587
Construction in process	21,016	61,473	(5,119)	77,370
Building and improvements	546,227	24,190	0	570,417
Equipment	588,352	55,489	0	643,841
Land Improvements	11,795	1,169	-	12,964
Total capital assets	<u>1,168,977</u>	<u>142,321</u>	<u>(5,119)</u>	<u>1,306,179</u>
Less accumulated depreciation for:				
Building and improvements	(297,700)	(21,604)	-	(319,304)
Equipment	(423,461)	(41,188)	-	(464,649)
Land improvements	(7,936)	(319)	-	(8,255)
Total accumulated depreciation	<u>(729,097)</u>	<u>(63,111)</u>	<u>0</u>	<u>(792,208)</u>
Carrying value of all capital assets, net	<u>\$ 439,880</u>	<u>\$ 79,210</u>	<u>\$ (5,119)</u>	<u>\$ 513,971</u>

Construction in progress relates to the Ambulatory Care Pavilion (“ACP”) and various other capital projects. At December 31, 2017, WCHCC was committed to noncancelable construction contracts related to capital projects of approximately \$89.4 million. The proceeds from the 2016 bond offering are being used to fund the ACP and other capital projects.

Included in capital assets is capitalized interest, net of accumulated amortization, of approximately \$25.5 million at December 31, 2017. The net book value of capital assets held under lease obligations, included in equipment, was approximately \$17.4 million at December 31, 2017.