Davis County Hospital

Financial Report
June 30, 2012

Contents

McGladrey

Independent Auditor's Report

To the Board of Trustees
Davis County Hospital
Bloomfield, Iowa

We have audited the accompanying balance sheets of Davis County Hospital (Hospital), as of June 30, 2012 and 2011 and the related statements of revenue, expenses and changes in net assets and cash flows for the years then ended. We have also audited the balance sheets of Davis County Hospital Endowment Foundation (Foundation), a discretely presented component unit, as of June 30, 2012 and 2011, and the related statements of revenue, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Hospital and the Foundation's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Davis County Hospital Endowment Foundation were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Davis County Hospital and Davis County Hospital Endowment Foundation, a discretely presented component unit, as of June 30, 2012 and 2011, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our reports dated November 9, 2012 and November 23, 2011 for the years ended June 30, 2012 and 2011, respectively, on our consideration of Davis County Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis on pages 2 through 6 and required supplementary information on pages 30 and 31 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

McGladrey LLP

Davenport, Iowa
November 9, 2012

Introduction

This management's discussion and analysis of the financial performance of Davis County Hospital (Hospital) provides an overview of the Hospital's financial activities for the years ended June 30, 2012 and 2011. It should be read in conjunction with the accompanying financial statements of the Hospital.

Davis County Hospital Endowment Foundation (Foundation) is a legally separate, tax exempt, discretely presented component unit of Davis County Hospital. The Foundation was formed to, among other things, raise funds for the general welfare, maintenance and improvement of the Hospital. The Board of the Foundation is self-perpetuating and consists of citizens of Bloomfield, Iowa and the surrounding area. Although the Hospital does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds are contributed to the Hospital. Because these resources held by the Foundation have historically been for the benefit of the Hospital, the Foundation is considered a component unit of the Hospital and is discretely presented in the Hospital's financial statements. Questions about this report and requests for additional financial information should be directed to Hospital Administration by calling 641.664.2145.

Financial Highlights

- Cash and cash equivalents increased between 2012 and 2011 by $1,127,027 or 30% and increased between 2011 and 2010 by $464,272 or 14%.
- The Hospital's net assets increased $588,445 or 6% in 2012 and decreased $205,943 or 2% in 2011.
- The Hospital reported operating income of $314,962 in 2012 and an operating loss of $257,144 in 2011.

Using This Annual Report

The Hospital's financial statements consist of three statements: a balance sheet; a statement of revenue, expenses and changes in net assets; and a statement of cash flows. These statements provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Hospital is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

Balance Sheet and Statement of Revenue, Expenses and Changes in Net Assets

One of the most important questions asked about any Hospital's finances is "Is the Hospital as a whole better or worse off as a result of the year's activities?" The balance sheet and the statement of revenue, expenses and changes in net assets report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Hospital's net assets and changes in them. The Hospital's total net assets – the difference between assets and liabilities – is one measure of the Hospital's financial health or financial position. Over time, increases or decreases in the Hospital's net assets are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Hospital's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors, should also be considered to assess the overall financial health of the Hospital.

Statement of Cash Flows

The statement of cash flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

The Hospital's Net Assets

The Hospital's net assets are the difference between its assets and liabilities reported in the balance sheet. The Hospital's net assets increased by $588,445 or 6% in 2012 compared to 2011 and decreased by $205,943 or 2% in 2011 compared to 2010 as shown in Table 1.

Table 1: Assets, Liabilities and Net Assets

	2012	2011	2010
Assets:			
Patient accounts receivable, net	**$ 2,935,055**	$ 2,380,711	$ 2,583,896
Other current assets	**13,121,089**	7,158,631	6,079,585
Capital assets, net	**15,167,639**	17,156,249	15,593,940
Other noncurrent assets	**1,826,019**	1,970,236	3,214,575
Total assets	**$ 33,049,802**	$ 28,665,827	$ 27,471,996
Liabilities:			
Current liabilities	**$ 9,197,217**	$ 4,406,786	$ 3,832,412
Other postemployment benefits	**218,575**	183,058	121,917
Long-term debt	**12,537,413**	13,567,831	12,803,572
Total liabilities	**21,953,205**	18,157,675	16,757,901
Net assets:			
Invested in capital assets, net of related debt	**1,458,186**	2,535,751	2,880,033
Restricted	**2,397,588**	2,531,251	3,275,497
Unrestricted	**7,240,823**	5,441,150	4,558,565
Total net assets	**11,096,597**	10,508,152	10,714,095
Total liabilities and net assets	**$ 33,049,802**	$ 28,665,827	$ 27,471,996

<u>Year ended June 30, 2012</u>: In fiscal year 2012, the total assets increased by $4,383,975 or 15%, which was caused primarily by an increase in patient accounts receivable and the Series 2012 Revenue Bonds proceeds received prior to year-end. Refunding of the Series 1998 Revenue Bonds did not occur until July 11, 2012. In fiscal year 2012, the total liabilities increased by $3,795,530 or 21% due to the timing of refunding of the Series 1998 Revenue Bonds.

<u>Year ended June 30, 2011</u>: In fiscal year 2011, the total assets increased by $1,193,831 or 4%, which was caused primarily by an increase in capital assets due to the implementation of a new computer software system and electronic medical record system. In fiscal year 2011, total liabilities increased by $1,399,774 or 8%, which was caused primarily by the net increase in debt of $1,076,626, consisting of borrowings to finance the computer software system and electronic medical record system, partially offset by regular principal payments.

Operating Results and Changes in the Hospital's Net Assets

In 2012 the Hospital’s net assets increased by $588,445 or 6%, and in 2011, the Hospital's net assets decreased by $205,943 or 2% as shown in Table 2. This decrease is made up of several different components.

Table 2: Operating Results and Changes in Net Assets

	2012	2011	2010
Operating revenue:			
Net patient service revenue	**$ 18,438,770**	$ 18,442,436	$ 16,805,651
Electronic health record incentive payment	**1,696,153**	-	-
Other operating revenue	**400,609**	471,981	532,398
Total operating revenue	**20,535,532**	18,914,417	17,338,049
Operating expenses:			
Salaries, wages and employee benefits	**9,501,022**	9,900,786	9,188,572
Purchased services and medical professional fees	**2,991,942**	2,516,371	2,512,912
Depreciation and amortization	**2,426,347**	1,682,901	1,106,110
Other operating expenses	**5,301,259**	5,071,503	4,609,514
Total operating expenses	**20,220,570**	19,171,561	17,417,108
Operating income (loss)	**314,962**	(257,144)	(79,059)
Nonoperating revenue (expenses):			
County taxes	**966,017**	757,861	746,918
Interest expense	**(778,548)**	(734,069)	(344,490)
Interest income	**56,348**	73,025	89,936
Gain (loss) on sale of capital assets	**853**	(90,016)	59,505
Total nonoperating revenue	**244,670**	6,801	551,869
Excess revenue over (under) expenses before capital grants and contributions	**559,632**	(250,343)	472,810
Capital grants and contributions	**28,813**	44,400	57,998
Increase (decrease) in net assets	**$ 588,445**	$ (205,943)	$ 530,808

Operating Income or Loss

The first component of the overall change in the Hospital's net assets is its operating income or loss, generally the difference between net patient service and other operating revenue and the expenses incurred to perform those services. In 2012 the Hospital reported operating income of $314,962 and in 2011 and 2010 the Hospital reported operating losses of $257,144 and $79,059, respectively. The Hospital levies property taxes to provide sufficient resources to enable the facility to serve patients.

The Hospital's operating income for 2012 increased by $572,106 or 222% as compared to 2011. The primary components causing the increase in operating income are as follows:

- The total operating revenue increased in 2012 by $1,621,115 or 9% and the total operating expenses increased by $1,049,009 or 5%. The increase in revenue was mainly due to receiving $1,696,153 from Medicare and Medicaid for an electronic health record incentive (see Note 1). The increase in expenses was mainly due to an increase in depreciation of the new computer software system and purchased services for Information Technology and other purchased services.

The operating income for 2011 decreased by $178,085 or 225% as compared to 2010. The primary components causing the decrease in operating income are as follows:

- Although the total operating revenue increased by $1,576,368 or 9%, the total operating expenses increased by $1,754,453 or 10%. These increases in expenses were due to an increase in the volume of more expensive procedures and server hosting fees in conjunction with a new computer software system with electronic medical record system.

Nonoperating Revenue and Expenses

Nonoperating revenue and expenses consist primarily of property taxes levied by the Hospital, interest income, interest expense and gains (losses) on the sale of capital assets. Non-operating income in 2012 increased by $237,869, or 3500%, as compared to 2011. Nonoperating revenue for 2011 decreased by $545,068 or 99% compared to 2010. The increase in 2012 is primarily due to the Hospital increasing the county tax levy for FICA and IPERS expenses. The decrease in 2011 is primarily due to the Hospital recognizing a full year of interest expense related to the Series 2009 Bonds issued during fiscal year 2010, and losses on the sale of capital assets.

The Hospital's Cash Flows

<u>Year ended June 30, 2012</u>: The Hospital's cash increased by $5,573,873 in 2012 as compared to 2011. The primary reasons for the increase in cash is the timing of receiving funds from the 2012 Series Revenue Bonds and the refunding of the 1998 Series Revenue Bonds and cash received from patients and third parties increased by $1,383,958 or 8% as compared to 2011.

<u>Year ended June 30, 2011</u>: The Hospital's cash decreased by $536,805 as compared to 2010. The primary reason for the decrease in cash is due to an increase in long-term debt principal and interest payments, an increase in supply cost and an increase in wages and benefits. Cash received from patients and third parties increased by $2,040,612 or 12% as compared to 2010.

Capital Asset and Debt Administration

Capital Assets

June 30, 2012: At the end of 2012, the Hospital had $15,167,639 invested in capital assets, net of accumulated depreciation, as described in Note 5 to the financial statements. In 2012, the Hospital purchased new capital assets totaling $415,531 consisting primarily of additional items relating to the electronic medical record system, Laboratory remodeling, and replacing the dietary terrazzo flooring.

June 30, 2011: At the end of 2011, the Hospital had $17,156,249 invested in capital assets, net of accumulated depreciation, as described in Note 5 to the financial statements. In 2011, the Hospital purchased new capital assets totaling $3,355,637 consisting primarily of a new computer software system with an electronic medical record system and a digital mammography machine.

Debt

June 30, 2012: At June 30, 2012, the Hospital had $18,649,453 in hospital revenue bonds notes payable and capital leases outstanding. The Hospital entered into new debt obligations for the 2012 Series Revenue Bonds in the amount of $5,160,000 which were used to refund the 1998 Series Revenue Bonds in July 2012.

June 30, 2011: At June 30, 2011, the Hospital had $14,620,498 in hospital revenue bonds and capital leases outstanding. The Hospital entered into new debt obligations for the new computer software system with an electronic medical record in the amount of $1,544,280. Also, the Hospital entered into new debt obligations for medical equipment in the amount of $376,000.

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Hospital Administration by calling 641.664.2145.

Davis County Hospital

Balance Sheets
June 30, 2012 and 2011

	Hospital		Component Unit (Foundation)	
Assets	**2012**	2011	**2012**	2011
Current Assets:				
Cash and cash equivalents	**$ 4,825,724**	$ 3,698,697	**$ 39,115**	$ 37,670
Assets limited as to use, restricted by bond agreement and to refund bonds	**5,805,454**	1,204,787	**-**	-
Certificates of deposit	**684,850**	671,733	**-**	-
Receivables:				
Patient, net	**2,935,055**	2,380,711	**-**	-
Property taxes receivable	**1,073,122**	955,820	**-**	-
Other	**60,259**	62,747	**-**	-
Inventories	**506,387**	367,481	**-**	-
Prepaid expenses	**165,293**	85,366	**-**	-
Estimated amounts due from third-party payors	**-**	112,000	**-**	-
Total current assets	**16,056,144**	9,539,342	**39,115**	37,670
Assets Limited as to Use:				
Board-designated for capital acquisitions	**28,245**	499,329	**-**	-
Restricted by bond agreement	**1,512,531**	1,435,050	**-**	-
Restricted to refund bonds	**5,038,514**	-	**-**	-
Donor restricted	**885,057**	1,096,201	**66,435**	67,215
	7,464,347	3,030,580	**66,435**	67,215
Less portion required for current liabilities	**5,805,454**	1,204,787	**-**	-
	1,658,893	1,825,793	**66,435**	67,215
Capital Assets:				
Nondepreciable	**275,550**	324,493	**-**	-
Depreciable, net	**14,892,089**	16,831,756	**-**	-
	15,167,639	17,156,249	**-**	-
Bond Issuance Costs, net of accumulated amortization	**167,126**	144,443	**-**	-
	$ 33,049,802	$ 28,665,827	**$ 105,550**	$ 104,885

See Notes to Basic Financial Statements.

	Hospital		Component Unit (Foundation)	
Liabilities and Net Assets	**2012**	2011	**2012**	2011
Current Liabilities:				
Current maturities of long-term debt	**$ 6,112,040**	$ 1,052,667	**$ -**	$ -
Accounts payable	**517,954**	1,120,720	**-**	-
Accrued expenses:				
Salaries, wages and payroll taxes	**442,598**	413,733	**-**	-
Paid leave	**561,048**	581,175	**-**	-
Interest	**225,454**	257,521	**-**	-
Other	**140,001**	25,150	**-**	-
Estimated amounts due to third-party payors	**125,000**	-	**-**	-
Deferred revenue for succeeding year property taxes	**1,073,122**	955,820	**-**	-
Total current liabilities	**9,197,217**	4,406,786	**-**	-
Other Postemployment Benefits	**218,575**	183,058	**-**	-
Long-Term Debt, less current maturities	**12,537,413**	13,567,831	**-**	-
Total liabilities	**21,953,205**	18,157,675	**-**	-
Commitments and Contingencies (Notes 6 and 7)				
Net Assets:				
Invested in capital assets, net of related debt	**1,458,186**	2,535,751	**-**	-
Restricted:				
Restricted by bond agreement	**1,512,531**	1,435,050	**-**	-
Restricted by donor for specific operating activities	**885,057**	1,096,201	**66,435**	67,215
Unrestricted	**7,240,823**	5,441,150	**39,115**	37,670
Total net assets	**11,096,597**	10,508,152	**105,550**	104,885
	$ 33,049,802	$ 28,665,827	**$ 105,550**	$ 104,885

Davis County Hospital

Statements of Revenue, Expenses and Changes in Net Assets
Years Ended June 30, 2012 and 2011

	Hospital		Component Unit (Foundation)	
	2012	2011	**2012**	2011
Operating revenue:				
Net patient service revenue	**$ 18,438,770**	$ 18,442,436	**$ -**	$ -
Electronic health record incentive payments	**1,696,153**	-	**-**	-
Other	**400,609**	471,981	**17,603**	23,373
Total operating revenue	**20,535,532**	18,914,417	**17,603**	23,373
Operating expenses:				
Salaries and wages	**7,393,757**	7,744,843	**-**	-
Employee benefits	**2,107,265**	2,155,943	**-**	-
Purchased services and medical professional fees	**2,991,942**	2,516,371	**-**	-
Supplies and other	**2,169,785**	2,511,482	**16,938**	20,488
General services	**1,381,947**	1,046,306	**-**	-
Administrative services	**1,629,794**	1,394,145	**-**	-
Depreciation and amortization	**2,426,347**	1,682,901	**-**	-
Insurance	**119,733**	119,570	**-**	-
Total operating expenses	**20,220,570**	19,171,561	**16,938**	20,488
Operating income (loss)	**314,962**	(257,144)	**665**	2,885
Nonoperating income (expense):				
Tax revenue	**966,017**	757,861	**-**	-
Interest income	**56,348**	73,025	**-**	-
Interest expense	**(778,548)**	(734,069)	**-**	-
Gain (loss) on sale of capital assets	**853**	(90,016)	**-**	-
Total nonoperating revenue	**244,670**	6,801	**-**	-
Excess of revenue over (under) expenses before capital grants and contributions	**559,632**	(250,343)	**665**	2,885
Capital grants and contributions	**28,813**	44,400	**-**	-
Increase (decrease) in net assets	**588,445**	(205,943)	**665**	2,885
Net assets:				
Beginning	**10,508,152**	10,714,095	**104,885**	102,000
Ending	**$ 11,096,597**	$ 10,508,152	**$ 105,550**	$ 104,885

See Notes to Basic Financial Statements.

Davis County Hospital

Statements of Cash Flows
Years Ended June 30, 2012 and 2011

	Hospital		Component Unit (Foundation)	
	2012	2011	**2012**	2011
Cash Flows from Operating Activities:				
Cash received from patients and third parties	**$ 19,817,579**	$ 18,433,621	**$ -**	$ -
Cash paid to suppliers	**(9,118,087)**	(7,564,909)	**(16,938)**	(20,488)
Cash paid to employees	**(9,341,916)**	(9,980,483)	**-**	-
Other receipts and payments, net	**400,609**	471,981	**17,603**	23,373
Net cash provided by operating activities	**1,758,185**	1,360,210	**665**	2,885
Cash Flows Provided by Noncapital Financing Activities, property taxes received	**966,017**	757,861	**-**	-
Cash Flows from Capital and Related Financing Activities:				
Principal payments on long-term debt, including capital lease obligations	**(1,038,595)**	(858,185)	**-**	-
Proceeds from long-term debt	**5,103,240**	360,000	**-**	-
Payments of bond issuance costs	**(85,187)**	-	**-**	-
Interest paid on long-term debt	**(810,615)**	(710,248)	**-**	-
Proceeds from sale of capital assets	**5,461**	47,237	**-**	-
Purchase of capital assets	**(409,756)**	(1,594,178)	**-**	-
Capital grants and contributions	**28,813**	44,400	**-**	-
Net cash provided by (used in) capital and related financing activities	**2,793,361**	(2,710,974)	**-**	-
Cash Flows from Investing Activities:				
Interest income	**56,348**	73,025	**-**	-
Proceeds from (purchases of) assets limited as to use, net	**(38)**	(16,927)	**-**	-
Net cash provided by investing activities	**56,310**	56,098	**-**	-
Increase (decrease) in cash and cash equivalents	**5,573,873**	(536,805)	**665**	2,885
Cash and cash equivalents:				
Beginning, including assets limited as to use Hospital 2012 $3,015,994; 2011 $4,017,071; Foundation 2012 $67,215; 2011 $60,453	**6,714,691**	7,251,496	**104,885**	102,000
Ending, including assets limited as to use Hospital 2012 $7,462,840; 2011 $3,015,994; Foundation 2012 $66,435; 2011 $67,215	**$ 12,288,564**	$ 6,714,691	**$ 105,550**	$ 104,885

(Continued)

Davis County Hospital

Statements of Cash Flows (Continued)
Years Ended June 30, 2012 and 2011

	Hospital		Component Unit (Foundation)	
	2012	2011	**2012**	2011
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	**$ 314,962**	$ (257,144)	**$ 665**	$ 2,885
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	**2,426,347**	1,682,901	**-**	-
Changes in assets and liabilities:				
Patient accounts receivable, net	**(554,344)**	203,185	**-**	-
Receivables	**2,488**	(28,635)	**-**	-
Inventories	**(138,906)**	(20,583)	**-**	-
Prepaid expenses	**(79,927)**	(1,284)	**-**	-
Accounts payable and accrued liabilities	**(449,435)**	(6,230)	**-**	-
Due to third-party payors	**237,000**	(212,000)	**-**	-
Net cash provided by operating activities	**$ 1,758,185**	$ 1,360,210	**$ 665**	$ 2,885
Supplemental Disclosures of Noncash Investing and Financing Activities:				
Capital lease obligation incurred for acquisition of capital assets	**$ -**	$ 1,560,280	**$ -**	$ -
(Decrease) in accounts payable related to construction in progress	**(5,755)**	(201,179)	**-**	-
Reclassification of unamortized deferred loss on refunding from debt issuance costs to long-term debt	**50,221**	-	**-**	-

See Notes to Basic Financial Statements.

Note 1. Nature of Business and Significant Accounting Policies

Nature of business:

Davis County Hospital (Hospital) is a county public hospital organized under Chapter 347 of the Code of Iowa. The Board of Trustees is elected by voters of Davis County. The Hospital primarily earns revenue by providing inpatient, outpatient and emergency care services to patients. The Hospital is exempt from income taxes as a political subdivision of the State of Iowa.

Davis County Hospital Endowment Foundation (Foundation) is a legally separate, tax exempt, discretely presented component unit of Davis County Hospital. The Foundation was formed to, among other things, raise funds for the general welfare, maintenance and improvement of the Hospital. The Board of the Foundation is self-perpetuating and consists of citizens. Although the Hospital does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon that the Foundation holds are contributed to the Hospital. Because these resources held by the Foundation have historically been for the benefit of the Hospital, the Foundation is considered a component unit of the Hospital and is discretely presented in the Hospital's financial statements. The Foundation has a June 30 fiscal year-end and is a 501(c)(3) not-for-profit organization.

Significant accounting policies:

Accrual basis of accounting: The accrual basis of accounting is used by the Hospital and Foundation. Under the accrual basis of accounting, revenue is recognized when earned and expenses are recognized when the liability has been incurred.

Accounting pronouncements: The Hospital has elected to apply all applicable Governmental Accounting Standard Board (GASB) Pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB Pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB's).

Accounting estimates: The preparation of basic 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 basic financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents: Cash and cash equivalents include temporary cash investments whose use is not limited or restricted. The Hospital considers all liquid investments with original maturities of three months or less at the date of issuance to be cash equivalents.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Patient receivables: Patient receivables where a third-party payor is responsible for paying the amount, are carried at a net amount determined by the original charge for the service provided, less an estimate made for contractual adjustments or discounts provided to third-party payors.

Patient receivables due directly from the patients are carried at the original charge for the service provided less amounts covered by third-party payors and less an estimated allowance for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts, by historical experience applied to an aging of accounts, and by considering the patient’s financial history, credit history and current economic conditions. The Hospital does not charge interest on patient receivables. Patient receivables are written off as bad debt expense when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of bad debt expense when received.

Receivables or payables related to estimated settlements on various risk contracts that the Hospital participates in are reported as third-party payor receivables or payables.

Property taxes: The Hospital received approximately 4.70% and 4.06% of its financial support from property tax revenue in the years ended June 30, 2012 and 2011, respectively, which were used to support operations. The Hospital levies the tax in March of each year based on assessed valuation of property in the County as of the second proceeding January 1. Tax bills are sent by the County in August and the taxes are payable half on September 1 and March 1, and become delinquent after October 1 and April 1, respectively.

Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors and is thereby an enforceable legal claim. The succeeding property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify the budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Inventories: Inventories are valued at the lower of cost (first-in, first-out method) or market.

Assets limited as to use or restricted: Assets limited as to use or restricted include assets restricted by revenue bond ordinance, assets restricted to refund bonds, donor-restricted assets and assets set aside by the Board of Trustees for future capital improvements over which the Board retains control and may at its discretion subsequently use for other purposes.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Capital assets: Capital assets are carried at cost or fair value if donated. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. Amortization on assets under capital leases is included with depreciation expense on owned assets. Depreciation is computed by the straight-line method over the estimated useful lives as follows:

	Years
Land improvements	10 - 25
Buildings, improvements and fixed equipment	5 - 40
Major moveable equipment	3 - 20

Donations of capital assets are reported at fair value as an increase in unrestricted net assets unless use of the asset is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted net assets. The expiration of such restrictions is reported as an increase in unrestricted net assets when the donated asset is placed in service.

Unamortized bond issuance costs and deferred loss on bond refunding: Costs related to the issuance of long-term debt and the loss on the refunding of long-term debt are deferred and amortized using the effective interest method over the period during which the debt is outstanding.

Net patient service revenue: 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 adjustments under reimbursement agreements with third-party payors. Retroactive adjustments with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Net patient service revenue is reported net of provisions for uncollectible accounts.

Operating income: The Hospital distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from the primary purpose of the Hospital, which is to provide medical services to the region. Other operating revenue consists of rental income, grants, cafeteria sales and other miscellaneous services. Operating expenses consist of salaries and wages, employee benefits, purchased services and professional fees, depreciation, interest and supplies and other. All revenue and expenses not meeting these criteria are considered nonoperating.

The Foundation’s other operating revenue primarily consists of donations received.

Electronic health records incentive programs: The electronic health records incentive programs, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records (EHR) technology. As a critical access hospital, Medicare payments are made in one lump-sum payment. The final Medicare amount for any payment year is determined based upon an audit by the fiscal intermediary and the hospital’s inability to continue to meet future escalating criteria may impact overall reimbursement the Hospital receives. Payments under the Medicaid program are generally made for up to four years based on a statutory formula. The Medicaid programs are determined on a state by state basis, which are approved by the Centers for Medicare and Medicaid Services. Payments under both programs are contingent on the Hospital initially attesting to being a meaningful user of EHR technology and then continuing to meet escalating criteria, including other specific requirements that are applicable. Events could occur that would cause the final amounts to differ materially from the initial payments under the program. As of June 30, 2012, the Hospital has achieved the meaningful use objectives and has recognized revenues of $1,577,553 and $118,600 related to the Medicare and Medicaid programs, respectively.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Tax revenue: Property taxes are recognized as assets in the period an enforceable legal claim to the assets arises and are recognized as revenue in the period for which the taxes are levied. Other county tax revenue is recognized as revenue when received by the Hospital. Property taxes that are not available for current year operations are shown as deferred revenue.

Net assets: Net asset classifications are defined as follows:

Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including any restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. As of June 30, 2012, the Hospital revenue bonds, Series 1998 are excluded from the bonds outstanding as the Hospital has a corresponding amount of assets limited as to use which are restricted to refund the Series 1998 bonds. (See Note 6.)

Restricted – This component of net assets consists of constraints placed on net assets through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt” above.

The Hospital first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Gifts, grants and bequests: Gifts, grants and bequests not designated by donors for specific purposes are reported as nonoperating revenue regardless of the use for which they might be designated by the Governing Board.

Compensated absences: Hospital policies permit most employees to accumulate paid time off benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as the benefits are earned, whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date, plus an additional amount for compensation related payments such as social security and Medicare taxes computed using rates in effect at that date. Changes in the balance of compensated absences during 2012 and 2011 are summarized as follows:

	2012	2011
Balance, beginning	$ 581,175	$ 562,293
Current year additions	799,221	879,267
Current year usage	(819,348)	(860,385)
Balance, ending	$ 561,048	$ 581,175

Charity care: The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Charity care for the years ended June 30, 2012 and 2011 was approximately $64,000 and $188,000, respectively.

Note 2. Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare: The Hospital is designated as a critical access hospital. This designation provides for inpatient and outpatient services to be reimbursed on a cost basis methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been finalized by the Medicare fiscal intermediary through June 30, 2010.

Medicaid: Inpatient and outpatient services rendered to Medicaid Program beneficiaries are reimbursed based upon a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with the final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the third-party Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been finalized by the Medicaid fiscal intermediary through June 30, 2009.

Approximately 64% and 56% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended June 30, 2012 and 2011, respectively.

The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Net patient service revenue is composed of the following for the years ended June 30, 2012 and 2011:

	2012	2011
Gross patient service revenue	$ 27,008,602	$ 25,506,172
Less discounts, allowances and estimated contractual adjustments under third-party reimbursement programs	7,739,201	6,372,415
Less provision for doubtful accounts	830,631	691,321
Net patient service revenue	$ 18,438,770	$ 18,442,436

Contractual adjustment expense for the years ended June 30, 2012 and 2011 includes the effect of a change in the estimate of the amount due to third-party payors. The effect of this change in estimate is an increase in contractual adjustment expense of approximately $71,000 and a decrease in contractual adjustment expense of approximately $69,000 for the years ended June 30, 2012 and 2011, respectively, and is related to retroactive adjustments based on the final settlements of cost reports.

Note 3. Deposits and Investments

Deposits:

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The Hospital's deposit policy for custodial risk requires compliance with the provisions of state law.

The Hospital had no bank balances exposed to custodial credit risk at June 30, 2012. The Hospital's deposits in banks as of June 30, 2012 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Investments:

The Hospital is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of a drainage district. The Hospital had no investments as of June 30, 2012 and 2011. Therefore, they are not subject to interest rate risk and concentration of credit risk.

Summary of carrying values:

The carrying values of deposits are included in the balance sheets as follows:

	2012	2011
Carrying value:		
Deposits	$ 12,973,849	$ 7,399,938
Other	1,072	1,072
	$ 12,974,921	$ 7,401,010
Included in the following balance sheet captions:		
Cash and cash equivalents	$ 4,825,724	$ 3,698,697
Assets limited as to use:		
Restricted by bond agreement	1,512,531	1,435,050
Restricted to refund bonds	5,038,514	-
Board designated and donor restricted	913,302	1,595,530
Certificates of deposit	684,850	671,733
	$ 12,974,921	$ 7,401,010

Note 4. Patient Accounts Receivable

Patient accounts receivable as of June 30, 2012 and 2011 consisted of the following:

	2012	2011
Patients	$ 4,221,055	$ 3,417,711
Less allowance for doubtful accounts	331,000	382,000
Less estimated third-party contractual adjustments	955,000	655,000
	$ 2,935,055	$ 2,380,711

Note 5. Capital Assets

Capital assets activity as of June 30, 2012 and 2011 is as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
			2012		
Capital assets not being depreciated:					
Land	$ 215,185	$ -	$ (4,608)	$ -	$ 210,577
Construction in progress	109,308	356,266	-	(400,601)	64,973
Total capital assets not being depreciated	324,493	356,266	(4,608)	(400,601)	275,550
Capital assets being depreciated:					
Land improvements	1,566,142	(11,877)	-	-	1,554,265
Buildings	18,192,628	(31,934)	-	81,156	18,241,850
Fixed equipment	1,506,113	-	-	7,083	1,513,196
Major moveable equipment	7,973,644	103,076	-	312,362	8,389,082
Total capital assets being depreciated	29,238,527	59,265	-	400,601	29,698,393
Less accumulated depreciation:					
Land improvements	227,563	117,772	-	-	345,335
Buildings	7,365,102	956,982	-	-	8,322,084
Fixed equipment	1,239,791	28,170	-	-	1,267,961
Major moveable equipment	3,574,315	1,296,609	-	-	4,870,924
Total accumulated depreciation	12,406,771	2,399,533	-	-	14,806,304
Total capital assets being depreciated	16,831,756	(2,340,268)	-	400,601	14,892,089
Capital assets, net	$ 17,156,249	$ (1,984,002)	$ (4,608)	$ -	$ 15,167,639

Note 5. Capital Assets (Continued)

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
			2011		
Capital assets not being depreciated:					
Land	$ 238,186	$ -	$ (23,001)	$ -	$ 215,185
Construction in progress	174,211	3,154,107	-	(3,219,010)	109,308
Total capital assets not being depreciated	412,397	3,154,107	(23,001)	(3,219,010)	324,493
Capital assets being depreciated:					
Land improvements	1,382,378	6,178	(73,391)	250,977	1,566,142
Buildings	18,419,024	64,159	(374,634)	84,079	18,192,628
Fixed equipment	1,603,664	-	(97,551)	-	1,506,113
Major moveable equipment	5,247,118	131,193	(288,621)	2,883,954	7,973,644
Total capital assets being depreciated	26,652,184	201,530	(834,197)	3,219,010	29,238,527
Less accumulated depreciation:					
Land improvements	191,006	109,080	(72,523)	-	227,563
Buildings	6,662,148	964,204	(261,250)	-	7,365,102
Fixed equipment	1,309,180	28,162	(97,551)	-	1,239,791
Major moveable equipment	3,308,307	554,629	(288,621)	-	3,574,315
Total accumulated depreciation	11,470,641	1,656,075	(719,945)	-	12,406,771
Total capital assets being depreciated	15,181,543	(1,454,545)	(114,252)	3,219,010	16,831,756
Capital assets, net	$ 15,593,940	$ 1,699,562	$ (137,253)	$ -	$ 17,156,249

Note 6. Long-Term Debt

Long-term debt activity as of and for the years ended June 30, 2012 and 2011 is as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
			2012		
Long-term debt:					
Hospital revenue bonds, Series 1998 (A)	$ 5,255,000	$ -	$ (315,000)	$ 4,940,000	$ 4,940,000
Hospital revenue bonds, Series 2009 (B)	6,965,000	-	(240,000)	6,725,000	255,000
Hospital revenue bonds, Series 2012 (C)	-	5,160,000	-	5,160,000	385,000
Note payable, finance company (D)	1,473,036	-	(249,263)	1,223,773	292,825
Note payable, finance company (E)	360,000	-	(40,000)	320,000	40,000
Capital lease obligations (F)	755,443	-	(194,332)	561,111	199,215
	14,808,479	5,160,000	(1,038,595)	18,929,884	6,112,040
Less unamortized bond discount	187,981	56,760	(114,353)	130,388	-
Less unamortized deferred loss	-	150,043	-	150,043	-
	$ 14,620,498	$ 4,953,197	$ (924,242)	$ 18,649,453	$ 6,112,040
			2011		
Long-term debt:					
Hospital revenue bonds, Series 1998 (A)	$ 5,555,000	$ -	$ (300,000)	$ 5,255,000	$ 315,000
Hospital revenue bonds, Series 2009 (B)	7,195,000	-	(230,000)	6,965,000	240,000
Note payable, finance company (D)	-	1,544,280	(71,244)	1,473,036	263,336
Note payable, finance company (E)	-	360,000	-	360,000	40,000
Capital lease obligations (F)	996,384	16,000	(256,941)	755,443	194,331
	13,746,384	1,920,280	(858,185)	14,808,479	1,052,667
Less unamortized bond discount	202,512	-	(14,531)	187,981	-
	$ 13,543,872	$ 1,920,280	$ (843,654)	$ 14,620,498	$ 1,052,667

(A) Hospital Revenue Bonds, Series 1998, originally aggregating $8,300,000, were issued by the Hospital to finance building improvements. The bonds are payable through September 1, 2023, with interest coupons payable at March 1 and September 1 at annual rates varying from 5.100% to 5.625%. In July, these bonds were paid in full using the proceeds received from the Series 2012 bonds.

(B) Hospital Revenue Bonds, Series 2009, originally aggregating $7,195,000, were issued by the Hospital to finance building improvements. The bonds are payable through September 1, 2025, with interest coupons payable at March 1 and September 1 at annual rates varying from 3.50% to 6.50%.

(C) On June 28, 2012, the Hospital issued $5,160,000 in Hospital Revenue Bonds to refund $4,940,000 of outstanding 1998 Series bonds. The proceeds, net of underwriting fees and cost of issuance, were used on July 11, 2012 to refund the Series 1998 Bonds and accrued interest. The 2012 Series bonds are payable through September 1, 2023, with interest coupons payable at March 1 and September 1 at annual rates varying from 0.80% to 4.00%. The Hospital pledged to the owners of the bonds all of its rights, title and interest in and to the net revenues from the Hospital on a parity basis with the Series 2009 Bonds, and funds held under the indenture, in order to secure the payment of the bonds.

Note 6. Long-Term Debt (Continued)

The Series 1998 Bonds appear as current maturities in the accompanying balance sheet and the proceeds from the Series 2012 Bonds appear as current assets limited as to use, restricted to refund bonds as of June 30, 2012 as the refunding did not occur until July 2012. The purpose of refunding the Series 1998 Bonds was to reduce total principal and interest payments due over the remaining term of the bonds as the average interest rate decreased from 5.58% under the Series 1998 Bonds to 3.07% under the Series 2012 Bonds. The maturity did not change as a result of the refunding. The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete the refunding is approximately $1,060,000. The economic gain (difference between the present value of the old debt service requirements and the present value of the new debt service requirements) was approximately $640,000.

The refunding of the Series 1998 Bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately $150,000, which represents a deferred loss on refunding. This difference, reported in the accompanying financial statements as a deduction from long-term debt, is being amortized through September 2023.

The Hospital has pledged future net revenue to repay $7,195,000 and $5,160,000 in Hospital Revenue Bonds, Series 2009 and Series 2012, respectively. The bonds are payable solely from net revenues and are payable through September 2025 and 2023, respectively. The total principal and interest remaining to be paid on the Series 2009 and 2012 Bonds is $16,422,339. Principal and interest paid for the current year on the Series 1998, 2009 and 2012 Bonds and total net revenue of the Hospital were $1,220,955 and $20,535,532, respectively.

(D) Note payable, due in monthly installments of $29,848, including interest at 5.99% through June 2016, secured by equipment.

(E) Note payable, due in annual installments of $40,000, including interest at 0% through December 2020, secured by equipment.

(F) At varying rates of imputed interest up to 10.06% maturing through 2015 and collateralized by leased equipment.

The bond agreements require that payments be made to a Sinking Fund in amounts sufficient to pay the principal of and interest due on the bonds when due. Sinking funds available for payment of maturing bonds amounted to $1,448,703 and $1,435,050 as of June 30, 2012 and 2011, respectively. The Series 1998, Series 2009 and Series 2012 bond agreements also require the Hospital to maintain a debt service coverage ratio of 1.25.

Note 6. Long-Term Debt (Continued)

The debt service requirements for the Series 1998, 2009 and 2012 Hospital revenue bonds and notes payable, excluding the capital lease obligations, as of June 30, 2012, are as follows:

	Revenue Bonds Principal	Notes Payable Principal	Interest	Total to Be Paid
Year ending June 30:				
2013	$ 5,580,000	$ 332,825	$ 623,613	$ 6,536,438
2014	685,000	350,855	534,510	1,570,365
2015	700,000	369,995	499,580	1,569,575
2016	720,000	294,265	461,454	1,475,719
2017	740,000	75,833	429,304	1,245,137
2018-2022	4,170,000	120,000	1,692,567	5,982,567
2023-2026	4,230,000	-	545,478	4,775,478
	$ 16,825,000	$ 1,543,773	$ 4,786,506	$ 23,155,279

The following is a schedule by year of future minimum lease payments under the capital lease including interest together with the present value of the future minimum lease payments as of June 30, 2012:

Year ending June 30:	
2013	$ 221,231
2014	218,161
2015	159,878
Total minimum lease payments	599,270
Less amount representing interest	38,159
Present value of future minimum payments	$ 561,111

The following is leased equipment by major class as of June 30, 2012 and 2011:

	2012	2011
Major moveable equipment	$ 3,087,474	$ 3,087,474
Less accumulated depreciation	342,664	342,664
	$ 2,744,810	$ 2,744,810

Note 7. Contingent Liabilities

Medical malpractice insurance:

The Hospital purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claims experience, management has determined that the accrual for such claims is not material to the financial statements.

Self-insurance:

Accrued expenses include an accrual for claims that have been incurred, but not reported for self-insured dental and vision benefits. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, frequency of claims and other economic and social factors. Changes in the balance of claims liabilities during 2012 and 2011 are summarized as follows:

	2012	2011
Balance, beginning	$ 22,442	$ 16,867
Current year claims and changes in estimates	59,902	68,673
Claim payments	(62,925)	(63,098)
Balance, ending	$ 19,419	$ 22,442

Laws and regulations:

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While the Hospital is subject to similar regulatory reviews, management believes that the outcome of any such regulatory review will not have a material adverse effect on the Hospital’s financial position.

CMS RAC Program:

Congress passed the Medicare Modernization Act in 2003, which among other things established a demonstration of The Medicare Recovery Audit Contractor (RAC) program. The RAC’s identified and corrected a significant amount of improper overpayments to providers. In 2006, Congress passed the Tax Relief and Health Care Act of 2006 which authorized the expansion of the RAC program to all 50 states. The Hospital has been subject to such an audit and may continue to be subject to additional audits at some time in the future.

Note 7. Contingent Liabilities (Continued)

Health care reform:

In March 2010 the Patient Protection and Affordable Care Act (PPACA) was signed into law. PPACA will result in sweeping changes across the health care industry, including how care is provided and paid for. A primary goal of this comprehensive reform legislation is to extend health coverage to approximately 32 million uninsured legal U.S. residents through a combination of public program expansion and private sector health insurance reforms. To fund the expansion of insurance coverage, the legislation contains measures designed to promote quality and cost efficiency in health care delivery and to generate budgetary savings in the Medicare and Medicaid programs. Given that final regulations and interpretive guidelines have yet to be published, the Hospital is unable to fully predict the impact of PPACA on its operations and financial results. If the law is implemented as adopted, the Hospital's management expects that in the coming years, patients who were previously uninsured and unable to pay for care will have basic insurance coverage, and amounts for reimbursement for services from both public and private payers will be reduced and made conditional on various quality measures. Management of the Hospital is studying and evaluating the anticipated effects and developing strategies needed to prepare for implementation, and is preparing to work cooperatively with other constituents to optimize available reimbursement.

Current economic conditions:

The current economic environment presents hospitals with unprecedented circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments and other assets, large declines in contributions, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Hospital.

Current economic conditions, including the rising unemployment rate, have made it difficult for certain of the Hospital's patients to pay for services rendered. As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on the Hospital's future operating results. Further, the effect of economic conditions on the state may have an adverse effect on cash flows related to the Medicaid program.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values and allowances for accounts and contributions receivable that could negatively impact the Hospital's ability to meet debt covenants or maintain sufficient liquidity.

Note 8. Pension Plan

Plan description:

The Hospital contributes to the Iowa Public Employees' Retirement System (IPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. Pension expense is recorded for the amount the Hospital is contractually required to contribute for the year. The plan provides retirement and death benefits, which are established by State Statute, to plan members and beneficiaries. The plan issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The report may be obtained by writing to the plan at IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salaries and the Hospital is required to contribute 6.65% of annual covered payroll. Contribution requirements are established by state statute. The Hospital's contributions to the plan for the years ended June 30, 2012, 2011 and 2010 were approximately $568,000, $518,000 and $458,000, respectively.

Note 9. Other Postemployment Benefits (OPEB)

Plan description and funding policy:

The Hospital sponsors a postretirement medical plan that provides post-termination medical insurance coverage for the participant and the participant's family through age 65. The employees eligible under this policy are all employees who terminate employment at or after age 62 with at least 4 years of service. Prior to the participants' age 65, the coverage shall be insured coverage providing a level of benefits reasonably comparable to the standard medical coverage the Hospital provides to all full-time employees. The plan coverage terminates upon the participant reaching Medicare eligibility (age 65).

The Hospital pays for all or a portion of active employee's coverage. The amount depends on whether single or family coverage is elected. Upon retirement, the retired participant continuing their coverage pays the premium including any increase in single premium after retirement. The required contribution is based on projects pay-as-you-go financing requirements. The Hospital made no contributions to the plan during the years ended June 30, 2012 and 2011.

Annual OPEB cost and net OPEB obligation:

The Hospital's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance to the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the Hospital's annual OPEB cost for the year, the amount actuarially contributed to the plan, and changes in the Hospital's annual OPEB obligation:

	2012	2011
Annual required contribution	$ 30,941	$ 58,093
Interest on net OPEB obligation	4,576	3,048
Annual OPEB cost (expense)	35,517	61,141
Contributions made	-	-
Increase in net OPEB obligation	35,517	61,141
Net OPEB obligation, beginning of year	183,058	121,917
Net OPEB obligation, end of year	$ 218,575	$ 183,058

Note 9. Other Postemployment Benefits (OPEB) (Continued)

The Hospital's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligations for fiscal year 2012 is as follows. The year ended June 30, 2009 was the transition year:

	Annual OPEB Cost	Percent of Annual OPEB Cost Contributed	Net OPEB Obligation
Fiscal year ended June 30:			
2012	$ 35,517	- %	$ 218,575
2011	61,141	-	183,058
2010	64,035	-	121,917
2009	57,882	-	57,882

Funded status and funding progress:

As of July 1, 2011, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was $470,308 and the actuarial value of assets is none resulting in an unfunded actuarial accrued liability (UAAL) of $470,308. The covered payroll was $7,026,972 and the ratio of the UAAL to the covered payroll was 6.7%.

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. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial methods and assumptions:

The actuarial calculations are performed in accordance with the Frozen Entry Age Actuarial Cost Method as allowed under GASB Statement No. 45. The excess of the AAL over the actuarial value of plan assets is the Unfunded Actuarial Accrued Liability. The Unfunded Actuarial Accrued Liability is amortized over a maximum of 30 years in level dollar amounts on an open period amortization basis. The sum of the normal cost and the amortization of the unfunded actuarial accrued liability is the annual required contribution, which with interest at the valuation date, determines the annual OPEB cost.

Economic cost assumptions:

The rate at which projected cash flows are to be discounted is 2.5% based on estimated long-term investment return on the investments that are expected to be used to finance the payment of benefits.

Actuarial calculations reflect a long-term perspective that involves estimates of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Note 10. Network Administration and Support Services Agreement

The Hospital has entered into an agreement with another health care organization to provide network administration and support services. Administration and support services fees of approximately $249,000 and $233,000 were incurred for the years ended June 30, 2012 and 2011, respectively.

Note 11. Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements

The Hospital implemented GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,* and GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* (an amendment of GASB Statement No. 53), during the year ended June 30, 2012. The adoption of these Statements did not have a material effect on the financial statements.

As of June 30, 2012, the GASB had issued the following Statements not yet implemented by the Hospital. The Statements which might impact the Hospital are as follows:

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued November 2010, will be effective for the Hospital beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. Specifically, this Statement improves financial reporting by establishing recognition, measurement and disclosure requirements SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. This Statement also improves the decision usefulness of financial reporting by requiring that specific relevant disclosures be made by transferors and governmental operators about SCAs.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, issued November 2010, will be effective for the Hospital beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. The amendments to the criteria for including component units allow users of financial statements to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. The amendments to the criteria for blending also improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, issued January 2011, will be effective for the Hospital beginning with its year ending June 30, 2013. This Statement is intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. This Statement incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncements issued before November 30, 1989: FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. By incorporating and maintaining this guidance in a single source, the GASB believes that GASB 62 reduces the complexity of locating and using authoritative literature needed to prepare state and local government financial reports.

Note 11. Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements (Continued)

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued July 2011, will be effective for the Hospital beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statements in the future. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* issued April 2012, will be effective for the Hospital beginning with its year ending June 30, 2014. This Statement clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. GASB Concepts Statement (CON) No. 4, *Elements of Financial Statements*, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in CON 4. Based on those definitions, this Statement reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, the Statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources.

GASB Statement No. 66, *Technical Corrections - 2012*, issued April 2012, will be effective for the Hospital beginning with its year ending June 30, 2014. This Statement enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. This Statement amends GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state or local government's risk financing activities to the general fund and the internal service fund types. As a result, governments would base their decisions about governmental fund type usage for risk financing activities on the definitions in GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* This Statement also amends GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for: (*a*) operating lease payments that vary from a straight-line basis; (*b*) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans; and (*c*) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes would eliminate any uncertainty regarding the application of GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases,* and result in guidance that is consistent with the requirements in GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues,* respectively.

Note 11. Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements (Continued)

GASB Statement No. 67, *Financial Reporting for Pension Plans*, issued June 2012, will be effective for the Hospital beginning with its year ending June 30, 2014. This Statement replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. This Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. This Statement enhances note disclosures and required supplementary information for both defined benefit and defined contribution pension plans. This Statement also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year required supplementary information schedules.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued June 2012, will be effective for the Hospital beginning with its year ending June 30, 2015. This Statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. This Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information.

The Hospital's management has not yet determined the effect these Statements will have on the Hospital's financial statements.

Davis County Hospital

Required Supplementary Information
Budget and Budgetary Accounting

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget following required public notice and hearings for all funds. The annual budget may be amended during the year utilizing similar statutorily-prescribed procedures. The Hospital made one amendment to the budget during the year.

The following is a comparison to budget for the year ended June 30, 2012:

	Actual	Variance	Amended Budget
Amount to be raised by taxation	$ 966,017	$ 10,197	$ 955,820
Other revenue/receipts	20,621,546	1,301,692	19,319,854
Total revenue/receipts	21,587,563	1,311,889	20,275,674
Expenses/disbursements	20,999,118	(300,882)	21,300,000
Change in net assets	588,445	$ 1,612,771	$ (1,024,326)
Net assets:			
Beginning	10,508,152		
Ending	$ 11,096,597		

Davis County Hospital

Required Supplementary Information, Other Postemployment Benefit Plan
Year Ended June 30, 2012

Schedule of Funding Progress

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Net Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Over-funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2012	**07/01/2011**	**$ -**	**$ 470,308**	**$ 470,308**	**- %**	**$ 7,026,972**	**6.69%**
2011	07/01/2008	-	696,571	696,571	-	7,115,857	9.79
2010	07/01/2008	-	696,571	696,571	-	6,524,202	10.68
2009	07/01/2008	-	696,571	696,571	-	5,908,802	11.79

The information presented in the required supplementary schedule was determined as part of the actuarial valuation as of July 1, 2011. Additional information follows:

1. The cost method used to determine the ARC is the Frozen Entry Age Actuarial Cost method.
2. There are no plan assets.
3. Economic assumptions are as follows: health care cost trend rates of 6%; discount rate of 2.5%.
4. The amortization method is open period, level dollar basis.

Davis County Hospital

Net Patient Service Revenue
Years Ended June 30, 2012 and 2011

	2012		
	Inpatient	Outpatient	Total
Daily patient services:			
Medical and surgical	$ 855,955	$ 523,591	$ 1,379,546
Swing-bed	617,032	-	617,032
	1,472,987	523,591	1,996,578
Nursing services:			
Operating and recovery rooms	1,513,122	2,315,846	3,828,968
Emergency room	3,717	3,062,666	3,066,383
	1,516,839	5,378,512	6,895,351
Other professional services:			
Laboratory	381,749	2,711,523	3,093,272
Central services and supplies	59,503	98,536	158,039
Electrocardiology	14,492	221,159	235,651
Radiology	392,842	4,534,196	4,927,038
Ambulance services	32	617,379	617,411
Labor and delivery	64,197	41,736	105,933
Pharmacy	1,080,405	1,849,929	2,930,334
Home health	-	188,986	188,986
Anesthesiology	84,396	181,883	266,279
Respiratory therapy	396,333	89,392	485,725
Physical therapy	312,013	868,443	1,180,456
Speech therapy	6,992	11,361	18,353
Electroencephalography	-	-	-
Long-term care	1,814,732	-	1,814,732
Nursery	56,777	-	56,777
Outpatient clinic	-	2,101,422	2,101,422
	4,664,463	13,515,945	18,180,408
	$ 7,654,289	$ 19,418,048	27,072,337
Less charity care			63,735
Gross patient service revenue			27,008,602
Contractual adjustments			7,739,201
Net patient service revenue before provision for uncollectible accounts			19,269,401
Provision for uncollectible accounts			830,631
Net patient service revenue			$ 18,438,770

	2011		
	Inpatient	Outpatient	Total
	$ 855,916	$ 615,509	$ 1,471,425
	602,250	-	602,250
	1,458,166	615,509	2,073,675
	1,304,887	1,769,471	3,074,358
	24,227	2,945,533	2,969,760
	1,329,114	4,715,004	6,044,118
	406,246	2,211,406	2,617,652
	76,682	65,954	142,636
	17,722	112,431	130,153
	429,784	4,021,298	4,451,082
	16	581,666	581,682
	69,546	28,670	98,216
	909,628	2,128,825	3,038,453
	-	103,659	103,659
	61,427	197,387	258,814
	382,368	86,525	468,893
	367,077	935,562	1,302,639
	6,698	10,753	17,451
	1,620	6,480	8,100
	1,782,972	-	1,782,972
	52,930	-	52,930
	1,497	2,519,813	2,521,310
	4,566,213	13,010,429	17,576,642
	$ 7,353,493	$ 18,340,942	25,694,435
			188,263
			25,506,172
			6,372,415
			19,133,757
			691,321
			$ 18,442,436

Davis County Hospital

Other Revenue
Years Ended June 30, 2012 and 2011

		2012		2011
Revenue for expenses of Home Health Care:				
Davis County	$	12,795	$	9,947
Iowa Department of Public Health		63,440		90,306
Other funding		77,367		114,519
Ambulance subsidy, Davis County		25,000		25,000
Cafeteria		109,469		90,298
Sale of supplies and drugs		513		950
Rent income		2,046		6,498
Purchase discounts		791		1,341
Other funding		109,188		133,122
	$	400,609	$	471,981

Davis County Hospital

Operating Expenses
Years Ended June 30, 2012 and 2011

	2012		
	Salaries	**Other**	**Total**
Nursing services:			
Medical and surgical	$ 899,550	$ 158,058	$ 1,057,608
Emergency room	580,651	1,104,842	1,685,493
Operating and recovery rooms	267,469	637,744	905,213
Nursing administration	93,687	6,369	100,056
	1,841,357	1,907,013	3,748,370
Other professional services:			
Laboratory	228,627	512,325	740,952
Central services and supplies	-	13,903	13,903
Radiology	261,461	587,704	849,165
Ambulance	92,728	34,481	127,209
Obstetrics, labor and delivery	30,764	6,529	37,293
Pharmacy	166,685	636,640	803,325
Home health	248,112	73,665	321,777
Anesthesiology	-	196,046	196,046
Respiratory therapy	99,383	42,003	141,386
Physical therapy	-	505,854	505,854
Speech therapy	-	8,012	8,012
Electroencephalography	-	-	-
Nursery	7,949	71	8,020
Clinic	1,348,844	504,199	1,853,043
Nursing home	670,354	96,211	766,565
Medical records and library	299,066	37,071	336,137
	3,453,973	3,254,714	6,708,687
General services:			
Operation of plant	260,092	542,313	802,405
Dietary	214,883	528,977	743,860
Housekeeping	23,769	78,951	102,720
Environmental services	221,797	231,706	453,503
	720,541	1,381,947	2,102,488
Administrative services	1,377,886	1,629,794	3,007,680
Employee benefits	-	2,107,265	2,107,265
Depreciation and amortization	-	2,426,347	2,426,347
Insurance	-	119,733	119,733
	$ 7,393,757	$ 12,826,813	$ 20,220,570

	2011	
Salaries	Other	Total
$ 938,631	$ 150,667	$ 1,089,298
753,269	718,373	1,471,642
240,816	491,105	731,921
68,786	5,724	74,510
2,001,502	1,365,869	3,367,371
223,007	432,436	655,443
-	185,295	185,295
268,501	532,563	801,064
127,392	37,576	164,968
33,378	18,718	52,096
159,695	838,075	997,770
236,651	58,604	295,255
-	199,765	199,765
99,975	44,316	144,291
-	606,166	606,166
-	9,260	9,260
-	960	960
7,090	-	7,090
1,322,062	550,862	1,872,924
657,822	85,320	743,142
284,614	62,068	346,682
3,420,187	3,661,984	7,082,171
382,707	530,187	912,894
277,379	349,822	627,201
25,618	66,932	92,550
225,436	99,365	324,801
911,140	1,046,306	1,957,446
1,412,014	1,394,145	2,806,159
-	2,155,943	2,155,943
-	1,682,901	1,682,901
-	119,570	119,570
$ 7,744,843	$ 11,426,718	$ 19,171,561

Davis County Hospital

Patient Receivables and Allowance for Uncollectible Accounts
Years Ended June 30, 2012 and 2011

Patient Receivables	2012	Percent to Total	2011	Percent to Total
Days since discharge:				
0 - 60	$ 2,301,971	54.54%	$ 2,194,700	64.22%
61 - 120	602,499	14.27	560,232	16.39
121 - 180	665,440	15.76	196,221	5.74
181 and over	651,145	15.43	466,558	13.65
	4,221,055	100.00%	3,417,711	100.00%
Less contractual allowances	955,000		655,000	
	3,266,055		2,762,711	
Less allowance for uncollectible accounts	331,000		382,000	
	$ 2,935,055		$ 2,380,711	

Allowance for Uncollectible Accounts	2012	2011
Balance, beginning	$ 382,000	$ 459,000
Provision for year	830,631	691,321
Recoveries of accounts previously written off	160,894	150,033
	1,373,525	1,300,354
Less accounts written off	1,042,525	918,354
Balance, ending	$ 331,000	$ 382,000

Davis County Hospital

Inventories and Prepaid Expenses
Years Ended June 30, 2012 and 2011

Inventories	**2012**	2011
Central supply	**$ 304,000**	$ 213,916
Pharmacy	**176,654**	130,626
Dietary	**14,827**	14,274
Fuel oil	**10,906**	8,665
	$ 506,387	$ 367,481

Prepaid Expenses		
Insurance	**$ 16,472**	$ 21,004
Service contracts	**102,827**	32,202
Dues	**10,570**	9,122
Maintenance and other	**35,424**	23,038
	$ 165,293	$ 85,366

Davis County Hospital

Officials
Year Ended June 30, 2012

Name	Title	Term Expires
Board of Trustees		
Tom Prosapio	Chairperson	2016
Janis Wettrich	Vice-Chairperson	2014
Tami Weilbrenner	Secretary/Treasurer	2016
Kevin Cook	Member	2012
Leon Wilkinson	Member	2012
Anne Morgan	Member	2014
Russell Jarvis	Member	2016
Hospital Officials		
Deborah Herzberg	Chief Executive Officer	
Kendra Warning	Chief Financial Officer (effective October 1, 2012)	
Debra Scott	Chief Operating Officer	
Ronda Reimer	Chief Nursing Officer	

Davis County Hospital

Financial and Statistical Data
Years Ended June 30, 2012 and 2011
(Unaudited)

	2012	2011
Patient days, exclusive of swing-bed:		
Medicare	**731**	842
Medicaid	**73**	77
Private and other	**355**	390
	1,159	1,309
Medicare and Medicaid percent	**69.4%**	70.0%
Percent of occupancy, acute	**12.7%**	14.0%
Discharges, exclusive of swing-bed:		
Medicare	**227**	258
Medicaid	**29**	33
Private and other	**123**	133
	379	424
Average length of stay in days	**3.1**	3.1

Davis County Hospital

Insurance Coverage
Year Ended June 30, 2012
(Unaudited)

Regent Insurance Company (expires June 16, 2013)	$35,712,190
Building and contents, fire and extended coverage	$5,000 deductible
(agreed amount, replacement cost) (All locations)	
Earthquake (expires June 16, 2013)	$5,000,000
	$50,000 deductible
Flood (expires June 16, 2013)	$5,000,000
	$50,000 deductible
Business income and extra expense (expires June 16, 2013)	$4,319,106
Accounts receivable (expires June 16, 2013)	$250,000
General Liability - PIC Wisconsin (expires June 16, 2013)	$1,000,000/$3,000,000
	No Deductible
Umbrella liability coverage - ProAssurance	$2,000,000/$2,000,000
	$10,000 Retained
Healthcare facility medical professional liability - ProAssurance	$1,000,000/$3,000,000
Excess liability coverage - ProAssurance	$1,000,000/$1,000,000
	No Deductible
Owned automobiles - Regent Insurance Co. (expires June 16, 2013)	
Liability	$1,000,000
Collision/comprehensive ($1,000/$500 deductible)	ACV
Uninsured/underinsured motorist (each)	$1,000,000
Hired vehicle/nonowned automobiles liability	$1,000,000
Boiler (Equipment Breakdown Coverage)	$40,031,296
Comprehensive accident coverage	Deductible : Varies
Mechanical Breakdown Limit	
Travelers (policy expiration June 16, 2013)	$1,000,000
Directors' and Officers' liability	$10,000 deductible
Employment Practices Liability Coverage	$1,000,000
	$15,000 deductible
United Fire and Casualty Company (continuous)	
Surety bonding (for LTC patient funds held by hospital)	$10,000
Farm Bureau Financial Services (policy expiration April 1, 2013)	
Workers' Compensation	Statutory
Petroleum Marketers Mutual Storage Tank (expires March 25, 2013)	$500,000/$1,000,000
Financial Responsibility Program (Release/Aggregate)	$10,000 deductible