

AUDITED FINANCIAL STATEMENTS
WEST CUSTER COUNTY HOSPITAL DISTRICT
WESTCLIFFE, COLORADO
December 31, 2012 and 2011

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August 6, 2013

Board of Directors
West Custer County Hospital District
Westcliffe, Colorado

Independent Auditor's Report

We have audited the accompanying financial statements of the West Custer County Hospital District as of and for the years ended December 31, 2012 and 2011, and the related notes to the 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the West Custer County Hospital District as of December 31, 2012 and 2011, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Directors
West Custer County Hospital District

The accompanying financial statements have been prepared assuming that the West Custer County Hospital District will continue as a going concern. As discussed in Note I to the financial statements, the District has experienced recurring significant losses and its cash position is not adequate to provide for all restrictions and reserve requirements. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note I. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through v be presented to supplement the basic financial statements. Such information, although not a 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 an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires 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 assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the West Custer County Hospital District's financial statements as a whole. The budgetary comparison schedules and the schedule of operating expenses by department are presented for purposes of additional analysis and are not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Marvin, Ross & DeNardo, Inc.

Management's Discussion and Analysis

**West Custer County Hospital District
Management's Discussion and Analysis
For the years ended December 31, 2012, 2011 and 2010**

The intent of the management discussion and analysis is to provide highlights of the West Custer County Hospital District's financial activities for the fiscal years ending December 31, 2012, 2011 and 2010. Readers are encouraged to read this section in conjunction with the accompanying financial statements.

District Operations

The District operates as a Special District under the authority of the laws of the State of Colorado, Department of Public Health & Environment. The activities of the District include operating a Chapter IX Rural Health Clinic and a volunteer ambulance service referred to as Custer County Ambulance Service.

Overview of Financial Statements

The District's basic financial statements include a statement of net position, a statement of revenue, expenses and changes in net position, statement of cash flows and notes to the financial statements. This report also includes supplementary information in addition to the basic financial statements themselves.

The statement of net position (formerly the balance sheet) presents the financial position of the District. It presents information on the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of revenues, expenses and changes in net position presents information showing how the District's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Revenues are recognized when earned, not when they are received. Expenses are recognized when incurred, not when they are paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future years.

The statement of cash flows presents information on the effects changes in assets and liabilities have on cash during the course of the year.

The notes to the financial statements provide information that is essential to a full understanding of the data provided in the District's financial statements. The notes to the financial statements can be found on pages 6-15 of this report.

Financial Analysis

A condensed summary of the District's statements of revenues, expenses and changes in net position for the years ended December 31 is presented below:

**West Custer County Hospital District
Management's Discussion and Analysis
For the years ended December 31, 2012, 2011 and 2010**

Financial Analysis (Continued)

	<u>2012</u>	<u>2011</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>2010</u>	<u>Dollar change</u>	<u>Percent Change</u>
Program Revenues							
Patient fees - various	\$ 1,759,901	\$ 1,524,880	\$ 235,021	15.42%	\$ 1,492,474	\$ 32,406	2.18%
Administrative adjustments	(675,708)	(601,302)	(74,406)	(12.38%)	(715,109)	113,807	15.92%
Total Program Revenues	<u>1,084,193</u>	<u>923,578</u>	<u>160,615</u>	<u>17.40%</u>	<u>777,365</u>	<u>146,213</u>	<u>18.81%</u>
Program Expenses							
Administration	436,217	507,544	(71,327)	(14.06%)	437,056	70,488	16.13%
Ambulance service	303,977	335,640	(31,663)	(9.44%)	325,188	10,452	3.22%
Central Service & Supply	151,159	104,450	46,709	44.72%	133,894	(29,444)	(22.00%)
HCBS	60	27	33	159.26%	794	(767)	(96.60%)
Laboratory	80,588	76,965	3,623	4.71%	81,078	(4,113)	(5.08%)
Maintenance & operation	60,858	68,290	(7,432)	(10.89%)	67,835	455	.68%
Medical	606,791	574,456	32,335	5.63%	631,283	(56,827)	(9.01%)
Pharmacy	19,350	15,125	4,225	27.94%	17,628	(2,503)	(14.20%)
Therapy	115,485	105,160	10,325	9.82%	83,986	21,174	25.22%
X-Ray	13,515	13,369	146	1.10%	19,998	(6,629)	(33.15%)
Optometry	7,700	11,575	(3,875)	(33.48%)	10,825	750	6.93%
Total Program Expenses	<u>1,795,700</u>	<u>1,812,601</u>	<u>(16,901)</u>	<u>(.94%)</u>	<u>1,809,565</u>	<u>3,036</u>	<u>.17%</u>
Nonoperating Revenues and Expenses							
Taxes	503,171	486,484	16,687	3.44%	487,622	(1,138)	(.24%)
Grants and donations	102,344	84,312	18,032	21.39%	129,149	(44,837)	(34.72%)
Investment income	743	1,173	(430)	(36.64%)	3,079	(1,906)	(61.91%)
Other income	30,252	49,254	(19,002)	(38.58%)	49,670	(416)	(.84%)
Treasurer's fees	(22,580)	(21,883)	697	3.19%	(21,788)	(95)	(.44%)
Net Other Revenues and (Expenses)	<u>613,930</u>	<u>599,340</u>	<u>14,590</u>	<u>2.44%</u>	<u>647,732</u>	<u>(48,392)</u>	<u>(7.48%)</u>
Income (Loss) Before Capital Contributions	<u>(97,577)</u>	<u>(289,683)</u>	<u>192,106</u>	<u>66.32%</u>	<u>(384,468)</u>	<u>94,785</u>	<u>24.65%</u>
Capital Contributions	<u>-</u>	<u>36,717</u>	<u>(36,717)</u>	<u>(100.00%)</u>	<u>51,507</u>	<u>(14,790)</u>	<u>(28.72%)</u>
Change in Net Position	<u>(\$ 97,577)</u>	<u>(\$ 252,966)</u>	<u>\$ 155,389</u>	<u>61.43%</u>	<u>(\$ 332,961)</u>	<u>\$ 79,995</u>	<u>24.03%</u>

Program Revenues – Patient Fees

Patient fees increased by \$235,021 compared to 2011. Net program revenue increased by \$160,615 due to increased fees.

Nonoperating Revenues

Nonoperating revenues consist of three primary sources. The most significant source is tax revenues, which include property and specific ownership taxes, totaling \$503,171 or an increase from 2011 of \$16,687.

**West Custer County Hospital District
Management's Discussion and Analysis
For the years ended December 31, 2012, 2011 and 2010**

Nonoperating Revenues (Continued)

Grants and donations and capital contributions totaled \$102,344 or an increase from 2011 of \$18,685. Revenues from this source tend to vary from year to year to a greater degree than other revenues dependent upon grant sources available to the District. These revenues are often restricted to specific purposes such as capital asset purchases.

Other nonoperating revenues include interest income and miscellaneous income from various sources.

Total Program Expenses

Total program expenses for the 2012 fiscal year totaled \$1,795,700 compared to the prior year of \$1,812,601. This is a decrease of \$16,901 or .94%. The District had a .17% increase in expenses from 2010 to 2011. Combined expenses are comprised of several major categories or functional expense categories as shown in the table which summarizes the statement of revenues, expenses and changes in net position.

Major Functional Expense Categories

The largest functional expense categories are administration, medical, ambulance and central service and supply. These four categories account for over eighty percent of the total program expenses. The other functional expense categories are HCBS, maintenance and operation, pharmacy, therapy and X-ray. Although smaller in total costs, these categories are distinct and important to the overall services provided by the District.

The functional categories with the largest dollar amount change were central service and supply which increased by \$46,709, therapy which increased by \$10,325, administration which decreased \$71,327, and medical which increased by \$32,335.

A condensed summary of the District's net position at December 31, 2012, 2011 and 2010 is presented below:

Statement of Net Position	2012	2011	Dollar Change	Percent Change	2010	Dollar change	Percent Change
Capital Assets	\$ 1,189,256	\$ 1,337,430	(\$ 148,174)	(11.08%)	\$ 1,473,815	(\$ 136,385)	(9.26%)
Current and Other Assets	700,690	766,592	(65,902)	(8.60%)	828,463	(61,871)	(7.47%)
Total Assets	1,889,946	2,104,022	(214,076)	(10.18%)	2,302,278	(198,256)	(8.62%)
Long-Term Liabilities	-	-	-	-	-	-	-
Other Liabilities	145,031	260,758	(115,727)	(44.39%)	221,635	39,123	17.66%
Total Liabilities	145,031	260,758	(115,727)	(44.39%)	221,635	39,123	17.66%
Deferred Inflows							
Unearned Property Taxes	454,013	454,785	(772)	(.17%)	439,198	15,587	3.55%
Net Position							
Invested in Capital Assets, Net of Related Debt	1,189,256	1,337,430	(148,174)	(11.08%)	1,473,815	(136,385)	(9.26%)
Restricted	80,433	64,531	11,702	18.14%	91,123	(29,092)	(31.93%)
Unrestricted	21,213	(13,482)	38,895	288.49%	76,507	(87,489)	(114.36%)
Total Net Position	\$ 1,290,902	\$ 1,388,479	(\$ 97,577)	7.03%	\$ 1,641,445	(\$ 252,966)	(15.42%)

Net Position

The District's financial condition declined from the previous year. During 2012 the District's net position decreased by \$97,577.

**West Custer County Hospital District
Management's Discussion and Analysis (Continued)
For the years ended December 31, 2012, 2011 and 2010**

Net Position (Continued)

As shown in the above table, the District's total net position decreased by \$97,577 resulting primarily from a decrease in program revenue and an increase in program expenses.

The District's current liabilities which consist of accounts payable, a note payable, and various accruals, decreased from 2011 in the amount of \$115,726 as shown in the above table. At December 31, 2012 the outstanding balance on the note payable was \$85,000.

The net position of the District is reported in three categories. At December 31, 2012, \$1,189,257 was invested in capital assets, net of related debt. This represents capital assets being used in the District's operations which are not available otherwise available for appropriation since they do not represent liquid resources which could be spent. Total restricted net position of \$76,233 consists of \$45,700 for the emergency reserve required by the provisions of TABOR and \$34,733 for grant awards that have not been spent. Unrestricted net position represents those which are not restricted by external requirements on their use or are otherwise unavailable by their nature.

Capital Expenditures

During 2012, the District expended \$0 in capital asset additions.

Long Term Debt

The District had no long-term debt outstanding as of December 31, 2012, 2011, or 2010. The only non-current liability related to accrued compensated absences.

Budget Highlights and Future Projects of the District

2012's loss of \$97,577 followed the trend started in 2009. Total losses for this four year period were \$933,423. In December of 2010 the Board entered into a management agreement with a third party, the appointed FQHC Board, to manage clinic operations. This was an attempt to address growing District losses. The FQHC Board remained in control of clinical operations throughout 2011 and into June of 2012 when the management agreement was terminated. On May 17, 2012 the Executive Director resigned.

A newly elected board was installed on May 17, 2012 and quickly took the following actions, among others, to address a further deteriorating financial, leadership, and management situation:

- 1) Established and published a new District vision, mission, value statement, and critical action plan. Focus was placed on customer satisfaction and increasing patient visits to increase revenue.
- 2) Outside professional help was enlisted to identify the true District financial condition. Capability to meet future payrolls was in doubt and cash reserves were depleted. A sophisticated cash flow model was developed.
- 3) Local professional volunteers were organized to assist in the areas of financial management, clinical operations, business development, marketing, public relations, and grant management.
- 4) A new, highly qualified Executive Director was hired in June 2012, and another part time doctor was hired in July 2012. An on-call clinical and administrative staff pool was established.
- 5) Review of services and service lines to increase the greatest return on investment. Including pharmacy, provider services and clinical services.
- 6) The Clinic is part of a five-state national pilot program to become a "medical home" providing a spring board into the new national healthcare system.

**West Custer County Hospital District
Management's Discussion and Analysis (Continued)
For the years ended December 31, 2012, 2011 and 2010**

- 7) Partnering with major hospitals is being pursued to expand services, lower costs, and provide top quality care to customers/patients. The clinic engaged the Colorado Rural Healthcare Association and others to review internal operations.
- 8) The District's debt and cost structure is being restructured with the servicing bank to give new board and clinic leadership the time needed to stabilize financial operations and to reestablish community trust in the clinic.

Request for Information

This financial report is designed to provide a general overview of the District's finances for those with an interest in the District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

West Custer County Hospital District
Attention: Finance Officer
P.O. Box 120
Westcliffe, Colorado 81252

Basic Financial Statements

STATEMENTS OF NET POSITION
WEST CUSTER COUNTY HOSPITAL DISTRICT
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Cash and equivalents	\$ 61,128	\$ 21,418
Certificate of deposit - restricted	-	81,170
Receivables		
Accounts receivable, net of allowance	144,096	141,427
Grant receivable	-	407
Property tax	454,033	454,807
Inventories	30,748	51,335
Prepaid expenses	10,685	16,028
Capital assets, net of accumulated depreciation	<u>1,189,256</u>	<u>1,337,430</u>
Total Assets	<u>1,889,946</u>	<u>2,104,022</u>
<u>Liabilities</u>		
Accounts payable	31,005	96,353
Accrued liabilities		
Payroll taxes and employee benefits	3,416	15,104
Interest	348	429
Salaries	6,542	28,947
Compensated absences	18,720	19,925
Line of credit	-	100,000
Note payable	<u>85,000</u>	<u>-</u>
Total Liabilities	<u>145,031</u>	<u>260,758</u>
<u>Deferred Inflows of Resources</u>		
Unavailable revenue - property tax	<u>454,013</u>	<u>454,785</u>
<u>Net Position</u>		
Invested in capital assets, net of related debt	1,189,256	1,337,430
Restricted:		
Emergency	45,700	41,500
Grant expenditures	34,733	23,031
Unrestricted	<u>21,213</u>	<u>(13,482)</u>
Total Net Position	<u>\$ 1,290,902</u>	<u>\$ 1,388,479</u>

The accompanying notes to financial statements are an integral part of this statement.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

WEST CUSTER COUNTY HOSPITAL DISTRICT

For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating Revenues		
Patient fees	\$ 818,191	\$ 727,067
Ambulance fees	492,839	440,737
Therapy fees	253,959	213,919
X-Ray fees	18,301	15,744
Lab fees	98,803	81,070
Pharmacy fees	41,723	30,587
Optometry fees	10,140	8,300
Home care fees	25,945	7,456
Administrative adjustments	<u>(675,708)</u>	<u>(601,302)</u>
Total Operating Revenues	<u>1,084,193</u>	<u>923,578</u>
Operating Expenses		
Administration	436,217	507,544
Ambulance service	303,977	335,640
Central service and supply	151,159	104,450
HCBS and home care visits	60	27
Laboratory	80,588	76,965
Maintenance and operation	60,858	68,290
Medical	606,791	574,456
Pharmacy	19,350	15,125
Therapy	115,485	105,160
X-Ray	13,515	13,369
Optometry	<u>7,700</u>	<u>11,575</u>
Total Operating Expenses	<u>1,795,700</u>	<u>1,812,601</u>
Operating Loss	<u>(711,507)</u>	<u>(889,023)</u>
Nonoperating Revenue (Expenses)		
General property tax	455,362	440,404
Specific ownership tax	47,809	46,080
Grant revenue	46,552	24,097
Investment income	743	1,173
Other non-operating revenue	34,695	54,194
Contributions	55,792	60,215
Interest expense	(4,443)	(4,940)
Treasurer collection fees	<u>(22,580)</u>	<u>(21,883)</u>
Total Nonoperating Revenues	<u>613,930</u>	<u>599,340</u>
Income (Loss) Before Capital Contributions	<u>(97,577)</u>	<u>(289,683)</u>
Capital Contributions	<u>-</u>	<u>36,717</u>
Change in Net Position	<u>(97,577)</u>	<u>(252,966)</u>
Total Net Position - Beginning	<u>1,388,479</u>	<u>1,641,445</u>
Total Net Position - Ending	<u>\$ 1,290,902</u>	<u>\$ 1,388,479</u>

The accompanying notes to financial statements are an integral part of this statement.

STATEMENTS OF CASH FLOWS
WEST CUSTER COUNTY HOSPITAL DISTRICT
For the years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash Flows From Operating Activities		
Cash received from customers	\$ 1,113,325	\$ 894,450
Cash payments to suppliers for goods and services	(692,886)	(573,196)
Cash payments to employees for services	<u>(1,061,155)</u>	<u>(1,057,593)</u>
Net Cash Used by Operating Activities	<u>(640,716)</u>	<u>(736,339)</u>
Cash Flows From Noncapital Financing Activities		
Cash received from property taxes	503,173	486,484
Cash paid for treasurers fees	(22,580)	(21,883)
Cash received from contributions, grants, and fundraisers	103,300	121,582
Cash received from line of credit	-	4,768
Cash paid on line of credit	(100,000)	-
Cash paid for interest expense on line of credit	(2,306)	(6,038)
Cash received from note payable	85,000	-
Cash paid for interest on note payable	(2,218)	-
Other nonoperating revenue	<u>34,144</u>	<u>54,194</u>
Net Cash Provided by Noncapital Financing Activities	<u>598,513</u>	<u>639,107</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets	-	(36,717)
Cash received from capital grants	<u>-</u>	<u>28,946</u>
Net Cash Used by Capital and Related Financing Activities	<u>-</u>	<u>(7,771)</u>
Cash Flows from Investing Activities		
Matured certificates of deposit	81,170	80,000
Purchased certificates of deposit	-	(881)
Investment income	<u>743</u>	<u>1,173</u>
Net Cash Provided by Investing Activities	<u>81,913</u>	<u>80,292</u>
Net Increase (Decrease) in Cash and Cash Equivalents	39,710	(24,711)
Cash and Cash Equivalents - Beginning	<u>21,418</u>	<u>46,129</u>
Cash and Cash Equivalents - Ending	<u>\$ 61,128</u>	<u>\$ 21,418</u>
Supplemental Schedule of Cash Flow		
Cash paid for interest	<u>\$ 4,524</u>	<u>\$ 6,038</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income (loss)	\$ (711,507)	\$ (889,023)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	148,174	173,103
(Increase) decrease in:		
Accounts receivable	(2,668)	(46,026)
Inventory	20,587	18,826
Prepaid expense	5,343	275
Increase (decrease) in:		
Accounts payable	(65,348)	(5,190)
Accrued expenses	<u>(35,297)</u>	<u>11,696</u>
Net Cash Used by Operations	<u>\$ (640,716)</u>	<u>\$ (736,339)</u>

The accompanying notes to financial statements are an integral part of this statement.

Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS
WEST CUSTER COUNTY HOSPITAL DISTRICT
December 31, 2012 and 2011

Note A - Summary of Significant Accounting Policies

Reporting Entity

The West Custer County Hospital District (Hospital District) is organized under the laws of the State of Colorado. It operates under the jurisdiction of a local board of directors whose members are elected by the voters of the District. The formation of the Hospital District was approved by the voters in 1988, and it subsequently began operations on January 1, 1989. Prior to the formation of the Hospital District, medical services in Custer County were provided by the Custer County Medical Foundation, a non-profit organization. The Foundation transferred all its net assets to the Hospital District effective December 31, 1988 and was subsequently liquidated. The total net assets transferred at that time were \$127,224.

The Hospital District (the primary government) presents its financial statements in accordance with generally accepted accounting principles, as they apply to governmental units. The financial statements of the Hospital District consist only of its sole enterprise fund for medical services and has no other funds or account groups.

The Custer County Medical Center, Inc. (Medical Center), a non-profit organization, was established in 2010 to make application to operate as a Federally Qualified Health Center. As agreed in the Cooperative Operational Agreement dated December 13, 2010, the Medical Center's purpose is to provide for operation, administration and provision of certain primary care services in Colorado. The Medical Center is a component unit that is legally separate from the District, but are financially accountable to the District or whose relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The Medical Center was liquidated and dissolved on December 1, 2012. The business-type activities of the Medical Center have been consolidated with the Hospital District's as presented in Note J.

As allowed by GASB, the district has elected not to apply FASB standards issued after November 30, 1989 for its proprietary fund, and has chosen to follow FASB standards issued on or before that date.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's ongoing operations. The primary source of revenue is patient and medical fees. Operating expenses are reported in functional categories for ambulance service, central service and supply, home care services, laboratory, maintenance and operation, medical, pharmacy, therapy, X-ray, and administrative expenses and include depreciation on capital assets. Other revenues or expenses not meeting this definition are treated as nonoperating revenues and expenses. The principal nonoperating revenues are property and ownership taxes and grant revenue. The principal nonoperating expenses of the District include treasurer collection fees. All assets and liabilities, both current and noncurrent, are included in the statement of net position of proprietary funds.

Use of Estimates

The use of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS (Continued)
WEST CUSTER COUNTY HOSPITAL DISTRICT
 December 31, 2012 and 2011

Note A - Summary of Significant Policies (Continued)

Cash and Cash Equivalents

The statement of cash flows focuses on the change in cash and cash equivalents during the period. Cash equivalents are short-term, liquid investments (including restricted assets) that are quickly converted to known cash amounts and that have maturities of three months or less so as to minimize the risk of value changes.

Receivables

All receivables are reported at their face value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Accounts receivable consists of the following at December 31:

	<u>2012</u>	<u>2011</u>
Patient fees, net of allowance for doubtful accounts of \$73,500 and \$65,656	\$ 112,010	\$ 86,361
Ambulance fees, net of allowance for doubtful accounts of \$65,700 and \$113,662	32,086	55,066
Total Accounts Receivable	<u>\$ 144,096</u>	<u>\$ 141,427</u>

Inventory

Purchased inventory of the District is stated at cost using the first in, first out method of determining inventory on hand. Physical counts were made of all inventory as of December 31, 2012 and 2011. Inventory was adjusted to reflect the amount determined by physical count.

Capital Assets

Land, building & equipment are stated at cost or, in the case of donated assets, at the fair market value on the date of donation.

Interest costs associated with the construction or purchase of land, building & equipment are capitalized if the amounts are material to the general purpose financial statements.

Buildings and equipment are depreciated using straight-line depreciation based upon the following useful lives:

Buildings and improvements	15 - 39 years
Furniture and equipment	3 - 5 years
Vehicles	7 years

Property Taxes

Property taxes are levied on January 1 based on the assessed value of property as listed on the previous June 30, and are payable in two equal payments before the last day of February and the 15th day of June or in one full payment before the last day of April. Property taxes are recognized as revenue when they are levied because they are considered to be both measurable and available. Available means due or past due and receivable within the current period and collected no more than 60 days after December 31.

Accounts Payable

Accounts payable represent obligations due to vendors for goods delivered or services rendered prior to December 31.

NOTES TO FINANCIAL STATEMENTS (Continued)

WEST CUSTER COUNTY HOSPITAL DISTRICT

December 31, 2012 and 2011

Note A - Summary of Significant Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have an item that qualifies for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item, property taxes. This item is deferred and recognized as an inflow or resources in the period that the amounts become available.

Compensated Absences

Vacation leave is earned on a monthly basis. The amount of vacation leave varies between five and fifteen days per year depending upon the number of years of continuous service provided by the employee. Employees are allowed to accumulate 120 hours per employee, which must be used by the end of the following calendar year, or it will be lost. Any unused, vested vacation time will be paid to the employee upon termination. Accrued vacation as of December 31, 2012 and 2011 was \$18,720 and \$19,925, respectively. The vacation accrual is considered a current liability.

The physician for the clinic earns paid time off under a separate contractual agreement. The most recent contract allowed for 28 days per year. The total accrual at December 31, 2012 and 2011 is \$0 and \$0, respectively.

The District's sick leave policy provides for an unlimited accumulation of earned sick leave which varies between five and ten days per year depending upon the number of years of continuous service provided by the employee. However, sick leave does not vest. Since the District has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for such risks, including workers' compensation. Settled claims resulting from these risks did not exceed commercial insurance coverage during 2012 or 2011.

Concentration of Credit Risk

The District grants credit without collateral to its clients, most of whom are local residents and are insured under third-party payer agreements. The District has adjusted accounts receivables for all known uncollectible accounts and maintains an allowance for doubtful accounts which is adjusted based on the District's collection experience.

Deferred Compensation Plan

The District offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. Effective January 1, 1997, the District no longer has a fiduciary responsibility to the plan. The District has implemented the Governmental Accounting Standards Board (GASB) Statement #32.

NOTES TO FINANCIAL STATEMENTS (Continued)
WEST CUSTER COUNTY HOSPITAL DISTRICT
December 31, 2012 and 2011

Note A - Summary of Significant Policies (Continued)

Reclassifications

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation. These reclassifications had no effect on net position.

New Accounting Pronouncements

The District implemented three new standards for the year ending December 31, 2012. GASB Statement No. 62 "Codification of Accounting and Financial Accounting and Reporting Guidance Contained in pre-November 30, 1989 FASB and AICPA Pronouncements", GASB Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position", and GASB No. 65 "Reclassifies Certain Items Previously Reported as Assets and Liabilities."

Statement No. 62 objectives is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA pronouncements issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements. The implementation of this standard has no material effect on the District's financial reporting as of and for the years ended December 31, 2012 and 2011.

Statement No. 63 requires the reporting of certain assets as deferred outflows in a separate section following assets and certain liabilities as deferred inflows in a separate section of liabilities. The statement also requires that net assets be presented as net position. The net position should be displayed in three components - net investment in capital assets, restricted and unrestricted.

Statement No. 65 is a companion statement to GASB 63 and is to specifically identify certain items that were previously reports as assets and liabilities and now reports those items as deferred outflows or resources or deferred inflows of resources. The effective date of this statement was for the year ended December 31, 2013, but the District elected to early implement this standard to correspond to the implementation date of GASB 63. The implementation of this standard had no material effect on the District's financial reporting as of and for the year ended December 31, 2012 and 2011.

Note B - Stewardship, Compliance and Accountability

Tax, Revenue, Spending, and Debt Limitation

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR imposes tax raising, revenue, spending, and debt limitations on local government entities within the State of Colorado. These limitations became effective for the first fiscal year beginning after December 31, 1992.

In addition to the tax raising, revenue, spending, and debt limitation provisions of TABOR, there is also a requirement that every entity to which TABOR applies must establish an "emergency reserve", to be used for declared emergencies only, each entity shall reserve 3% or more of its fiscal year spending excluding bonded debt service. For the years ended December 31, 2012 and 2011, the District estimates its reserve requirement at \$45,700 and \$41,500, respectively. The District's cash reserves have fallen below the estimated emergency reserve requirement which may be a violation of Colorado law.

NOTES TO FINANCIAL STATEMENTS (Continued)
WEST CUSTER COUNTY HOSPITAL DISTRICT
December 31, 2012 and 2011

Note B - Stewardship, Compliance and Accountability (Continued)

Tax, Revenue, Spending, and Debt Limitation (Continued)

On May 7, 1996, the District passed a referendum regarding the revenue and spending limits imposed by Article X, section 20 of the Colorado constitution. The referendum allows the District, without increasing or adding any taxes of any kind, to collect, retain, and expend all revenues and other funds collected during 1995 and thereafter. In addition, May 2, 2002, the voters approved an additional 2.113 mills to the property tax levy for the purpose of providing for additional staff and other operating costs.

Budgetary Data

Formal budgetary accounting is employed as a management control tool for the enterprise fund of the District. Annual operating budgets are adopted each year by approval of the Board of Directors. The Board of the District may amend the original adopted budget during the year by passing a new resolution to reflect current needs, changing conditions, or revised estimates. Differences between the budgetary reporting basis and the generally accepted accounting principles (GAAP) basis used to reflect actual revenues and expenses are described below.

The financial statements report actual revenues and expenses on a generally accepted accounting principles (GAAP) basis which differs from the legally enacted budget basis. The differences are as follows:

1. Accruals for compensated absences are not recognized on the budgetary basis and are treated as expenses on the GAAP basis.
2. Capital expenditures are treated as expenses on the budgetary basis. On the GAAP basis, capital expenditures are not treated as expenses.

All appropriations lapse at the end of each year, and the District does not recognize encumbrances.

Expenditures in Excess of Budget Amounts

During the year ended December 31, 2012 the District incurred actual expenditures in excess of budget expenditures.

<u>Actual</u>	<u>Budget</u>	<u>Actual Over Budget</u>
\$ 1,823,928	\$ 1,771,849	\$ 52,079

Expenditures in excess of amounts budgeted and appropriated may be a violation of Colorado Local Government Budget Law.

Grant Funding

The District receives funding from Federal, State and foundation grants which may be subject to regulatory or other oversight by the granting agencies. Such oversight may include audit or other compliance procedures. Any adjustments made by a granting agency would become a liability to the District. There are no such proceedings presently in progress. However, at December 31, 2012 and 2011 the District may not have had cash reserves adequate to provide for all unexpended grant proceeds.

NOTES TO FINANCIAL STATEMENTS (Continued)
WEST CUSTER COUNTY HOSPITAL DISTRICT
December 31, 2012 and 2011

Note C - Cash Deposits and Investments

Cash Deposits

Colorado State statutes govern the District's deposits of cash. The statutes specify eligible depositories for public cash deposits which must be Colorado institutions and must maintain federal insurance (FDIC or FSLIC) on deposits held.

Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets maintained by another institution or held in trust for all of its local government depositors as a group with a market value at least equal to the uninsured deposits. The State regulatory commissions for banks and savings and loan associations are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pool.

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District's policy for custodial credit risk parallels Colorado statutes.

A summary of cash and deposits held at year end follows:

	<u>Carrying Amount</u>	<u>Less Than One Year</u>	<u>Less Than Five Years</u>
Deposits:			
Checking	\$ 60,777	\$ 60,777	\$ -
Petty cash	351	351	-
Total	<u>\$ 61,128</u>	<u>\$ 61,128</u>	<u>\$ -</u>

The District maintains cash in two different commercial banks, cash in these accounts at December 31, 2012 and at other times through out the year exceeded \$250,000.

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. The law outlines the types of securities that public entities in Colorado may acquire and hold as investments.

These include U.S. government and agency securities, certain bonds of political subdivisions, bankers' acceptances, commercial paper, local government investment pools, repurchase agreements, money market funds and guaranteed insurance contracts. The statute also includes a provision limiting any investment to a five year maturity unless the governing body authorizes a longer period.

Interest Rate Risk - The District's policy of limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates parallels Colorado statutes. Specifically, all securities are limited to a maximum maturity of five years from the date of purchase unless the governing body authorizes a longer period.

NOTES TO FINANCIAL STATEMENTS (Continued)
WEST CUSTER COUNTY HOSPITAL DISTRICT
December 31, 2012 and 2011

Note C - Cash Deposits and Investments (Continued)

Investments (Continued)

Credit Risk - The District does not have a policy that would further limit its choices beyond the requirements of Colorado statutes.

The District did not hold any such investments at December 31, 2012 or 2011.

Note D - Property Tax and Accrual

Property taxes which have been levied for 2012 which will not be collected until 2013 have been accrued as a receivable at December 31, 2012. An offsetting liability for deferred inflows of resources - unearned property tax revenue has been recorded on the statement of net position.

Note E - Changes in Capital Assets

The following is a summary of the changes in capital assets for the year ended December 31, 2012.

	December 31, <u>2011</u>	<u>Additions</u>	<u>Deletions</u>	December 31, <u>2012</u>
Land	\$ 207,842	\$ -	\$ -	\$ 207,842
Building and improvements	1,202,643	-	-	1,202,643
Furniture and equipment	904,798	-	-	904,798
Vehicles	<u>369,389</u>	-	-	<u>369,389</u>
Totals	\$ 2,684,672	<u>\$ -</u>	<u>\$ -</u>	\$ 2,684,672
Less depreciation	<u>(1,347,242)</u>			<u>(1,495,416)</u>
Net Capital Assets	<u>\$ 1,337,430</u>			<u>\$ 1,189,256</u>

Depreciation expense for the years ended December 31, 2012 and 2011 was \$148,174 and \$173,102, respectively. Accumulated depreciation for the years ended December 31, 2012 and 2011 was \$1,495,416 and \$1,347,242, respectively.

Note F - Line of Credit

The District had a line of credit with a \$100,000 limit and a stated interest rate of 2.45%. Interest payments are due quarterly and the agreement expired October 28, 2012. At December 31, 2012 and 2011, the balance was \$0 and \$100,000, respectively. The line of credit was collateralized by a certificate of deposit held by the lender. At December 31, 2012 and 2011, the certificate of deposit balance was \$0 and \$81,170, respectively. At December 31, 2011 there was a deficiency of \$18,830.

Note G - Note Payable

The District has a note payable to First State Bank of Colorado dated November 16, 2012 payable in 11 consecutive monthly payments, including interest at 4.75%. The note payable matures on November 16, 2013 and is collateralized by the ambulances. At December 31, 2012 and 2011, the balance was \$85,000 and \$0, respectively.

NOTES TO FINANCIAL STATEMENTS (Continued)
WEST CUSTER COUNTY HOSPITAL DISTRICT
December 31, 2012 and 2011

Note H - Net Position

The basic financial statements utilize a net position presentation. Net position is categorized as invested in capital assets (net of related debt), restricted and unrestricted.

Invested in capital assets (net of related debt) is intended to reflect the portion of the net position that are associated with non-liquid capital assets, less outstanding capital asset related debt.

Restricted net position are amounts that have third-party limitation on their use. As of December 31, 2012 and 2011 restricted net position consisted of \$45,700 and \$41,500 for the Tabor Emergency Reserve and \$34,733 and \$23,031 for unexpended grant funds, respectively.

Unrestricted net position are amounts that do not meet the definition of "invested in capital assets" or "restricted net position" and are available for the District's operations.

Note I - Contingencies

Going Concern

As indicated in the accompanying financial statements, the Organization showed a decrease in net assets of \$97,577 during the year ended December 31, 2012, continuing a long term trend. As of that date, the Organization's current assets exceeded its current liabilities by \$101,626, however, the Districts cash balance of \$61,128 does not cover restricted net assets of \$80,433. The District continues to have some difficulty generating sufficient cash flow to provide for all its needs. Those factors create an uncertainty about the Organization's ability to continue as going concern.

In May of 2012 the majority of the District's board was replaced by newly elected board members. The new board has hired a new executive director to fill a vacancy created by the resignation of the previous executive director. In June 2012 the board agreed to terminate the Cooperative Operational Agreement (as discussed in Note A). The newly restructured management of the Organization is developing a plan to reduce its liabilities through potential sales of assets or restructuring its liabilities as well as reviewing most aspects of the District's operations. The ability of the Organization to continue as a going concern is dependent on acceptance of the plan and its success. The financial statements do not include any adjustments that might be necessary if the Organization is unable to continue as a going concern.

Legal Action

The District may be subject to legal proceedings and claims which arise in the ordinary course of business. The District has determined that it is not possible to predict the eventual outcome of the legal action but has determined that the resolution of the action will not result in an adverse judgement that would materially affect the financial statements. Accordingly, the accompanying financial statements do not include any adjustments related to the legal action.

NOTES TO FINANCIAL STATEMENTS (Continued)

WEST CUSTER COUNTY HOSPITAL DISTRICT

December 31, 2012 and 2011

Note J - Component Unit Presentation

The following financial information represents the 2012 condensed combining information for the Hospital District and the Medical Center (a component unit) as described in Note A - Reporting Entity.

Statement of Net Position	Hospital District	Medical Center	Eliminations	2012 Totals
Assets				
Current and other assets	\$ 678,191	\$ 144,441	\$ (121,942)	\$ 700,690
Capital assets	<u>1,189,256</u>	<u>-</u>	<u>-</u>	<u>1,189,256</u>
Total Assets	<u>1,867,447</u>	<u>144,441</u>	<u>(121,942)</u>	<u>1,889,946</u>
Liabilities				
Current liabilities	<u>370,561</u>	<u>228,483</u>	<u>-</u>	<u>599,044</u>
Net Position				
Capital assets, net of related debt	1,189,256	-	-	1,189,256
Restricted	76,233	-	-	76,233
Unrestricted	<u>231,397</u>	<u>(84,042)</u>	<u>(121,942)</u>	<u>25,413</u>
Total Net Position	<u>\$ 1,867,447</u>	<u>\$ 144,441</u>	<u>\$ (121,942)</u>	<u>\$ 1,889,946</u>
Statement of Revenues, Expenses and Changes in Net Position				
Patient fees - various	\$ 1,261,169	\$ 498,732	\$ -	\$ 1,759,901
Administrative adjustments	<u>(485,025)</u>	<u>(190,683)</u>	<u>-</u>	<u>(675,708)</u>
Total Program Revenue	<u>776,144</u>	<u>308,049</u>	<u>-</u>	<u>1,084,193</u>
Administration	430,039	377,472	(371,294)	436,217
Ambulance service	304,016	(39)	-	303,977
Central service & supply	108,429	42,730	-	151,159
HCBS	60	-	-	60
Laboratory	69,198	11,390	-	80,588
Maintenance & operation	53,652	7,206	-	60,858
Medical	590,865	15,926	-	606,791
Pharmacy	14,916	4,434	-	19,350
Therapy	114,914	571	-	115,485
X-Ray	13,294	221	-	13,515
Optometry	<u>6,387</u>	<u>1,313</u>	<u>-</u>	<u>7,700</u>
Total Program Expenses	<u>1,705,770</u>	<u>461,224</u>	<u>(371,294)</u>	<u>1,795,700</u>
Taxes	380,097	123,074	-	503,171
Grants and donations	102,344	-	-	102,344
Other revenue and expenses	<u>385,759</u>	<u>(6,050)</u>	<u>(371,294)</u>	<u>8,415</u>
Total Nonoperating Revenues	<u>868,200</u>	<u>117,024</u>	<u>(371,294)</u>	<u>613,930</u>
Capital Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>(61,426)</u>	<u>(36,151)</u>	<u>-</u>	<u>(97,577)</u>
Total Net Position-Beginning	<u>1,558,312</u>	<u>(47,891)</u>	<u>(121,942)</u>	<u>1,388,479</u>
Total Net Position-Ending	<u>\$ 1,496,886</u>	<u>\$ (84,042)</u>	<u>\$ (121,942)</u>	<u>\$ 1,290,902</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

WEST CUSTER COUNTY HOSPITAL DISTRICT

December 31, 2012 and 2011

Note J - Component Unit Presentation (Continued)

The following financial information represents the 2011 condensed combining information for the Hospital District and the Medical Center (a component unit) as described in Note A - Reporting Entity.

Statement of Net Position	Hospital District	Medical Center	Eliminations	2011 Totals
Assets				
Current and other assets	\$ 877,170	\$ 160,141	\$ (270,719)	\$ 766,592
Capital assets	<u>1,337,430</u>	<u>-</u>	<u>-</u>	<u>1,337,430</u>
Total Assets	<u>2,214,600</u>	<u>160,141</u>	<u>(270,719)</u>	<u>2,104,022</u>
Liabilities				
Current liabilities	<u>656,288</u>	<u>208,032</u>	<u>(148,777)</u>	<u>715,543</u>
Net Assets				
Capital assets, net of related debt	1,337,430	-	-	1,337,430
Restricted	64,531	-	-	64,531
Unrestricted	<u>156,351</u>	<u>(47,891)</u>	<u>(121,942)</u>	<u>(13,482)</u>
Total Net Position	<u>\$ 1,558,312</u>	<u>\$ (47,891)</u>	<u>\$ (121,942)</u>	<u>\$ 1,388,479</u>
Statement of Revenues, Expenses and Changes in Net Position				
Patient fees - various	\$ 1,153,507	\$ 371,373	\$ -	\$ 1,524,880
Administrative adjustments	(483,292)	(118,010)	-	(601,302)
Total Program Revenue	<u>670,215</u>	<u>253,363</u>	<u>-</u>	<u>923,578</u>
Administration	498,216	318,210	(308,882)	507,544
Ambulance service	335,173	467	-	335,640
Central service & supply	66,711	37,739	-	104,450
HCBS	-	27	-	27
Laboratory	64,608	12,357	-	76,965
Maintenance & operation	59,094	9,196	-	68,290
Medical	536,187	38,269	-	574,456
Pharmacy	9,927	5,198	-	15,125
Therapy	103,850	1,310	-	105,160
X-Ray	12,710	659	-	13,369
Optometry	<u>8,575</u>	<u>3,000</u>	<u>-</u>	<u>11,575</u>
Total Program Expenses	<u>1,695,051</u>	<u>426,432</u>	<u>(308,882)</u>	<u>1,812,601</u>
Taxes	464,601	-	-	464,601
Grants and donations	79,812	4,500	-	84,312
Other revenue and expenses	<u>360,573</u>	<u>(1,264)</u>	<u>(308,882)</u>	<u>50,427</u>
Total Nonoperating Revenues	<u>904,986</u>	<u>3,236</u>	<u>(308,882)</u>	<u>599,340</u>
Capital Contributions	<u>36,717</u>	<u>121,942</u>	<u>(121,942)</u>	<u>36,717</u>
Change in Net Position	<u>(83,133)</u>	<u>(47,891)</u>	<u>(121,942)</u>	<u>(252,966)</u>
Total Net Position-Beginning	<u>1,641,445</u>	<u>-</u>	<u>-</u>	<u>1,641,445</u>
Total Net Position-Ending	<u>\$ 1,558,312</u>	<u>\$ (47,891)</u>	<u>\$ (121,942)</u>	<u>\$ 1,388,479</u>

Other Supplementary Information

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

BUDGET BASIS - BUDGET AND ACTUAL
WEST CUSTER COUNTY HOSPITAL DISTRICT

For the year ended December 31, 2012

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>2012 Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Patient fees (less administrative adjustments)	\$ -	\$ -	\$ 388,644	\$ 388,644
Ambulance fees (less administrative adjustments)	219,242	219,242	246,678	27,436
HCBS fees (less administrative adjustments)	-	-	25,945	25,945
Therapy fees	-	-	253,959	253,959
X-Ray fees	-	-	18,301	18,301
Lab fees	-	-	98,803	98,803
Pharmacy fees	-	-	41,723	41,723
Optometry services	-	-	10,140	10,140
Total Revenues	<u>219,242</u>	<u>219,242</u>	<u>1,084,193</u>	<u>864,951</u>
Nonoperating Revenues				
General property tax	454,785	454,785	455,362	577
Specific ownership tax	51,000	51,000	47,809	(3,191)
Grant revenue	13,000	13,000	46,552	33,552
Investment income	1,500	1,500	743	(757)
Contributions	-	-	55,792	55,792
Other non-operating revenue	1,048,100	1,048,100	34,605	(1,013,495)
Total Nonoperating Revenues	<u>1,568,385</u>	<u>1,568,385</u>	<u>640,863</u>	<u>(927,522)</u>
Total Revenues	<u>1,787,627</u>	<u>1,787,627</u>	<u>1,725,056</u>	<u>(62,571)</u>
Operating Expenses				
Administration				
Salaries and employee benefits	317,969	337,265	386,279	(49,014)
Payroll taxes	20,518	20,518	25,331	(4,813)
Supplies	-	-	10,530	(10,530)
Professional services	-	-	7,258	(7,258)
Marketing	-	-	6,015	(6,015)
Travel	-	-	-	-
Staff meetings	-	-	-	-
Training	-	-	596	(596)
Total Administration	<u>338,487</u>	<u>357,783</u>	<u>436,009</u>	<u>(78,226)</u>
Ambulance Service				
Salaries and employee benefits	144,245	144,245	117,990	26,255
Payroll taxes	-	-	164	(164)
Supplies	27,800	27,800	31,635	(3,835)
Professional services	2,600	2,600	20,424	(17,824)
Marketing	-	-	-	-
Repairs and maintenance	1,800	1,800	10,020	(8,220)
Travel	2,500	2,500	3,174	(674)
Insurance	6,300	6,300	4,104	2,196
Rent	-	-	-	-
Training	10,000	10,000	1,618	8,382
Depreciation	83,426	83,426	83,426	-
Bad debts	21,000	21,000	21,000	-
Collection costs	2,000	2,000	1,826	174
Telephone	2,500	2,500	1,833	667
Provider / Employee Adjustments	2,000	2,000	-	2,000
Utilities	4,800	4,800	6,763	(1,963)
Total Ambulance Service	<u>310,971</u>	<u>310,971</u>	<u>303,977</u>	<u>6,994</u>

The accompanying notes to financial statements are an integral part of this schedule.

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS BUDGETARY BASIS -

BUDGET AND ACTUAL (Continued)

WEST CUSTER COUNTY HOSPITAL DISTRICT

For the year ended December 31, 2012

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>2012 Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Central Service and Supply				
Supplies	\$ -	\$ -	\$ 7,983	\$ (7,983)
Repairs and maintenance	-	-	5,727	(5,727)
Telephone	-	-	15,289	(15,289)
Postage	-	-	3,268	(3,268)
Professional services	-	-	88,972	(88,972)
Collection costs	-	-	2,059	(2,059)
Travel	-	-	1,811	(1,811)
Insurance	8,321	8,321	7,905	416
Rent	-	-	251	(251)
Publicity, subscriptions, dues	-	-	400	(400)
Depreciation	5,234	5,234	6,067	(833)
Bad debts	-	-	10,800	(10,800)
Training	-	-	627	(627)
Total Central and Supply	<u>13,555</u>	<u>13,555</u>	<u>151,159</u>	<u>(137,604)</u>
HCBS and Home Care Visits				
Salaries	-	-	60	(60)
Total HCBS	<u>-</u>	<u>-</u>	<u>60</u>	<u>(60)</u>
Laboratory				
Salaries	20,044	20,044	22,828	(2,784)
Payroll taxes	1,594	1,594	1,932	(338)
Supplies	-	-	30,972	(30,972)
Professional services	-	-	11,586	(11,586)
Depreciation	12,678	12,678	12,678	-
Repairs and maintenance	-	-	592	(592)
Total Laboratory	<u>34,316</u>	<u>34,316</u>	<u>80,588</u>	<u>(46,272)</u>
Maintenance and Operation				
Salaries	18,995	18,995	7,979	11,016
Payroll taxes	1,575	1,575	743	832
Supplies	-	-	2,542	(2,542)
Repairs and maintenance	-	-	2,577	(2,577)
Professional services	-	-	1,005	(1,005)
Depreciation	26,039	26,039	26,039	-
Utilities	845	845	19,973	(19,128)
Total Maintenance and Operation	<u>47,454</u>	<u>47,454</u>	<u>60,858</u>	<u>(13,404)</u>
Medical				
Salaries	490,482	490,482	479,808	10,674
Payroll taxes	24,820	24,820	22,710	2,110
Contract labor	-	-	2,095	(2,095)
Supplies	-	-	42,151	(42,151)
Immunization cost	-	-	9,750	(9,750)
Repairs and maintenance	-	-	578	(578)
Professional services	-	-	6,079	(6,079)
Insurance	-	-	26,953	(26,953)
Rent	-	-	7,092	(7,092)
Publicity, subscriptions, dues	-	-	1,535	(1,535)
Depreciation	6,107	6,107	6,107	-
Provider / Employee adjustments	-	-	-	-
Training and travel	-	-	1,933	(1,933)
Total Medical	<u>521,409</u>	<u>521,409</u>	<u>606,791</u>	<u>(85,382)</u>

The accompanying notes to financial statements are an integral part of this schedule.

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS BUDGETARY BASIS -

BUDGET AND ACTUAL (Continued)

WEST CUSTER COUNTY HOSPITAL DISTRICT

For the year ended December 31, 2012

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>2012 Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Pharmacy				
Supplies	\$ -	\$ -	\$ 19,350	\$ (19,350)
Total Pharmacy	<u>-</u>	<u>-</u>	<u>19,350</u>	<u>(19,350)</u>
Therapy				
Salaries	105,858	105,858	103,382	2,476
Payroll taxes	7,914	7,914	7,363	551
Supplies	-	-	1,223	(1,223)
Training	-	-	1,114	(1,114)
Repairs and maintenance	-	-	-	-
Depreciation	1,881	1,881	1,881	-
Travel	-	-	522	(522)
Total Therapy	<u>115,653</u>	<u>115,653</u>	<u>115,485</u>	<u>168</u>
X-Ray				
Salaries	-	-	1,685	(1,685)
Payroll taxes	-	-	133	(133)
Supplies	-	-	-	-
Repairs and maintenance	-	-	815	(815)
Professional services	-	-	1,481	(1,481)
Depreciation	9,401	9,401	9,401	-
Publicity, subscriptions, dues	-	-	-	-
Total X-Ray	<u>9,401</u>	<u>9,401</u>	<u>13,515</u>	<u>(4,114)</u>
Optometry				
Contract labor	-	-	5,125	(5,125)
Depreciation	2,575	2,575	2,575	-
Total Optometry	<u>2,575</u>	<u>2,575</u>	<u>7,700</u>	<u>(5,125)</u>
Total Operating Expenses	<u>1,393,821</u>	<u>1,413,117</u>	<u>1,795,492</u>	<u>(382,375)</u>
Nonoperating Expenditures				
Treasurer collection fees	22,739	22,739	22,580	159
Capital outlay	-	-	-	-
Other non operating	335,993	335,993	5,856	330,137
Total Nonoperating Expenditures	<u>358,732</u>	<u>358,732</u>	<u>28,436</u>	<u>330,296</u>
Total Expenditures	<u>1,752,553</u>	<u>1,771,849</u>	<u>1,823,928</u>	<u>(52,079)</u>
Excess of Revenues Over (Under) Expenditures (Budgetary Basis)	35,074	15,778	(98,872)	(114,650)
Fund Balance - Beginning of Year	<u>19,679</u>	<u>19,679</u>	<u>455,449</u>	<u>435,770</u>
Fund Balance - End of Year	<u>\$ 54,753</u>	<u>\$ 35,457</u>	<u>\$ 356,577</u>	<u>\$ 321,120</u>

The accompanying notes to financial statements are an integral part of this schedule.

BUDGET RECONCILIATION
WEST CUSTER COUNTY HOSPITAL DISTRICT
December 31, 2012

Reconciliation From Budgetary Basis to GAAP Basis of Accounting

Revenue (Budgetary and GAAP Basis)	<u>\$ 1,725,056</u>
Expenditures (GAAP Basis)	1,822,723
Plus:	
Change in vacation leave accrual	1,205
Capital outlay	<u>-</u>
	Expenditures (Budgetary Basis) <u>1,823,928</u>
	Net Income <u>\$ (98,872)</u>

The accompanying notes to financial statements are an integral part of this schedule.

SCHEDULES OF OPERATING EXPENSES - BY DEPARTMENT

WEST CUSTER COUNTY HOSPITAL DISTRICT

For the years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Administration		
Salaries and employee benefits	\$ 385,074	\$ 444,176
Payroll taxes	25,331	25,130
Supplies	10,530	27,207
Professional services	7,258	3,301
Marketing	6,015	4,151
Travel	-	1,759
Staff meetings	1,413	1,721
Training	596	99
Total Administration	<u>436,217</u>	<u>507,544</u>
Ambulance Service		
Salaries and employee benefits	117,990	141,617
Payroll taxes	164	541
Supplies	31,635	45,303
Professional services	20,424	2,596
Marketing	-	386
Repairs and maintenance	10,020	2,981
Travel	3,174	5,849
Insurance	4,104	3,827
Rent	-	-
Training	1,618	10,559
Depreciation	83,426	102,120
Bad debts	21,000	6,998
Collection costs	1,826	4,757
Telephone	1,833	2,695
Utilities	6,763	5,411
Total Ambulance Service	<u>303,977</u>	<u>335,640</u>
Central Service and Supply		
Supplies	7,983	7,566
Repairs and maintenance	5,727	2,192
Telephone	15,289	13,211
Postage	3,268	3,113
Professional services	88,972	38,477
Collection costs	2,059	3,244
Travel	1,811	1,961
Insurance	7,905	7,770
Rent	251	-
Publicity, subscriptions, dues	400	2,682
Training	627	605
Depreciation	6,067	13,729
Bad debts	10,800	9,900
Total Central and Supply	<u>151,159</u>	<u>104,450</u>
HCBS and Home Care Visits		
Salaries and employee benefits	60	-
Payroll taxes	-	-
Travel	-	27
Total HCBS	<u>60</u>	<u>27</u>

The accompanying notes to financial statements are an integral part of this schedule.

SCHEDULES OF OPERATING EXPENSES - BY DEPARTMENT (Continued)

WEST CUSTER COUNTY HOSPITAL DISTRICT

For the years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Laboratory		
Salaries	\$ 22,828	\$ 21,430
Payroll taxes	1,932	1,939
Supplies	30,972	27,760
Professional services	11,586	8,049
Repairs and maintenance	592	6,150
Depreciation	12,678	11,637
Total Laboratory	<u>80,588</u>	<u>76,965</u>
 Maintenance and Operation		
Salaries	7,979	15,122
Payroll taxes	743	1,120
Supplies	2,542	1,410
Repairs and maintenance	2,577	3,543
Professional services	1,005	1,005
Utilities	19,973	20,174
Depreciation	26,039	25,916
Total Maintenance and Operation	<u>60,858</u>	<u>68,290</u>
 Medical		
Salaries	479,808	452,281
Payroll taxes	22,710	22,724
Contract labor	2,095	-
Supplies	42,151	27,728
Immunization cost	9,750	20,796
Repairs and maintenance	578	1,388
Professional services	6,079	5,067
Insurance	26,953	26,750
Rent	7,092	6,773
Publicity, subscriptions, dues	1,535	3,054
Training and travel	1,933	1,701
Depreciation	6,107	6,194
Total Medical	<u>606,791</u>	<u>574,456</u>
 Pharmacy		
Supplies	19,350	15,125
Total Pharmacy	<u>19,350</u>	<u>15,125</u>
 Therapy		
Salaries	103,382	94,259
Payroll taxes	7,363	6,479
Supplies	1,223	1,870
Marketing	-	-
Repairs and maintenance	-	520
Training	1,114	338
Depreciation	1,881	1,531
Travel	522	163
Total Therapy	<u>115,485</u>	<u>105,160</u>

The accompanying notes to financial statements are an integral part of this schedule.

SCHEDULES OF OPERATING EXPENSES - BY DEPARTMENT (Continued)

WEST CUSTER COUNTY HOSPITAL DISTRICT

For the years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
X-Ray		
Salaries	\$ 1,685	\$ 77
Payroll taxes	133	6
Supplies	-	62
Repairs and maintenance	815	100
Professional services	1,481	3,328
Publicity, subscriptions, dues	-	395
Depreciation	9,401	9,401
Total X-Ray	<u>13,515</u>	<u>13,369</u>
 Optometry		
Contract labor	5,125	9,000
Depreciation	2,575	2,575
Total Optometry	<u>7,700</u>	<u>11,575</u>
Total Operating Expenses	<u>\$ 1,795,700</u>	<u>\$ 1,812,601</u>

The accompanying notes to financial statements are an integral part of this schedule.