

**AUDITED FINANCIAL STATEMENTS**  
**WEST CUSTER COUNTY HOSPITAL DISTRICT**  
**WESTCLIFFE, COLORADO**  
December 31, 2011 and 2010

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August 10, 2012

Board of Directors  
West Custer County Hospital District  
Westcliffe, Colorado

## **Independent Auditor's Report**

We have audited the accompanying financial statements of West Custer County Hospital District as of and for the years ended December 31, 2011 and 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 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 audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West Custer County Hospital District as of December 31, 2011 and 2010, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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 significant losses and its cash position is not adequate to provide for all restrictions and collateral 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.

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.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the West Custer County Hospital District's financial statements as a whole. The schedules of budgetary comparisons and operating expenses by department are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements taken as a whole.

*Harvey Ross & DeNardo, Inc.*

**Management's Discussion and Analysis**

**West Custer County Hospital District  
Management's Discussion and Analysis  
For the years ended December 31, 2011, 2010 and 2009**

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, 2011, 2010 and 2009. 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 Community Medical 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 assets, a statement of revenue, expenses and changes in net assets, 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 assets (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 assets. Over time, increases or decreases in net assets 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 assets presents information showing how the District's net assets changed during the most recent year. All changes in net assets 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 6-13 of this report.

**Financial Analysis**

A condensed summary of the District's statements of revenues, expenses and changes in net assets 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, 2011, 2010 and 2009**

**Financial Analysis (Continued)**

	<u>2011</u>	<u>2010</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>2009</u>	<u>Dollar change</u>	<u>Percent Change</u>
<b>Program Revenues</b>							
Patient fees - various	\$ 1,524,880	\$ 1,492,474	\$ 32,406	2.18%	\$ 1,426,473	\$ 66,001	4.63%
Administrative adjustments	( 601,302)	( 715,109)	113,807	15.92%	( 550,275)	( 164,834)	( 29.96%)
<b>Total Program Revenues</b>	<u>923,578</u>	<u>777,365</u>	<u>146,213</u>	<u>18.81%</u>	<u>876,198</u>	<u>( 98,833)</u>	<u>( 11.28%)</u>
<b>Program Expenses</b>							
Administration	507,544	437,056	70,488	16.13%	427,544	9,512	2.23%
Ambulance service	335,640	325,188	10,452	3.22%	286,093	39,095	13.67%
Central Service & Supply	104,450	133,894	( 29,444)	( 22.00%)	176,990	( 43,096)	( 24.35%)
HCBS	27	794	( 767)	( 96.60%)	223	571	256.06%
Laboratory	76,965	81,078	( 4,113)	( 5.08%)	77,257	3,821	4.95%
Maintenance & operation	68,290	67,835	455	.68%	63,916	3,919	6.14%
Medical	574,456	631,283	( 56,827)	( 9.01%)	658,827	( 27,544)	( 4.19%)
Pharmacy	15,125	17,628	( 2,503)	( 14.20%)	23,123	( 5,495)	( 23.77%)
Therapy	105,160	83,986	21,174	25.22%	71,478	12,508	17.50%
X-Ray	13,369	19,998	( 6,629)	( 33.15%)	21,093	( 1,095)	( 5.20%)
Optometry	11,575	10,825	750	6.93%	11,575	( 750)	( 6.48%)
<b>Total Program Expenses</b>	<u>1,812,601</u>	<u>1,809,565</u>	<u>3,036</u>	<u>.17%</u>	<u>1,818,119</u>	<u>( 8,554)</u>	<u>( .48%)</u>
<b>Nonoperating Revenues and Expenses</b>							
Taxes	486,484	487,622	( 1,138)	( .24%)	453,898	33,724	7.43%
Grants and donations	84,312	129,149	( 44,837)	( 34.72%)	111,847	17,302	15.47%
Investment income	1,173	3,079	( 1,906)	( 61.91%)	4,599	( 1,520)	( 33.06%)
Other income	49,254	49,670	( 416)	( .84%)	30,136	19,534	64.82%
Treasurer's fees	( 21,883)	( 21,788)	( 95)	( .44%)	( 19,969)	( 1,819)	( 9.11%)
<b>Net Other Revenues and (Expenses)</b>	<u>599,340</u>	<u>647,732</u>	<u>( 48,392)</u>	<u>( 7.48%)</u>	<u>580,511</u>	<u>67,221</u>	<u>11.58%</u>
<b>Income (Loss) Before Capital Contributions</b>	<u>( 289,683)</u>	<u>( 384,468)</u>	<u>94,785</u>	<u>24.65%</u>	<u>( 361,410)</u>	<u>( 23,058)</u>	<u>( 6.39%)</u>
<b>Capital Contributions</b>	<u>36,717</u>	<u>51,507</u>	<u>( 14,790)</u>	<u>( 28.72%)</u>	<u>111,491</u>	<u>( 59,984)</u>	<u>( 53.81%)</u>
<b>Change in Net Assets</b>	<u>(\$ 252,966)</u>	<u>(\$ 332,961)</u>	<u>\$ 79,995</u>	<u>24.03%</u>	<u>(\$ 249,919)</u>	<u>(\$ 83,042)</u>	<u>( 33.23%)</u>

**Program Revenues – Patient Fees**

Patient fees increased by \$32,406 compared to 2010. Net program revenue increased by \$146,213 due to administrative adjustments decreasing.

**Nonoperating Revenues**

Nonoperating revenues consist of three primary sources. The most significant source is tax revenues, which include property and specific ownership taxes, totaling \$486,484 or a decrease from 2010 of \$1,138.

**West Custer County Hospital District  
Management's Discussion and Analysis  
For the years ended December 31, 2011, 2010 and 2009**

**Nonoperating Revenues (Continued)**

Grants and donations and capital contributions totaled \$121,029 or a decrease from 2010 of \$59,627. 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 2011 fiscal year totaled \$1,812,601 compared to the prior year of \$1,809,565. This is an increase of \$3,036 or .17%. The District had a .48% decrease in expenses from 2009 to 2010. 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 assets.

**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 decreased by \$29,444, therapy which increased by \$21,174, administration which increased \$70,488, and medical which decreased by \$56,827.

A condensed summary of the District's net assets at December 31, 2011, 2010 and 2009 is presented below:

<b>Statement of Net Assets</b>	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>Dollar Change</u></b>	<b><u>Percent Change</u></b>	<b><u>2009</u></b>	<b><u>Dollar change</u></b>	<b><u>Percent Change</u></b>
Capital Assets	\$ 1,337,430	\$ 1,473,815	(\$ 136,385)	( 9.26%)	\$ 1,565,045	(\$ 91,230)	( 5.83%)
Current and Other Assets	766,592	828,463	( 61,871)	( 7.47%)	1,006,382	( 177,919)	( 17.68%)
<b>Total Assets</b>	<b>2,104,022</b>	<b>2,302,278</b>	<b>( 198,256)</b>	<b>( 8.62%)</b>	<b>2,571,427</b>	<b>( 269,149)</b>	<b>( 10.47%)</b>
Long-Term Liabilities	-	-	-	-	-	-	-
Other Liabilities	715,543	660,833	54,710	8.28%	597,021	63,812	10.69%
<b>Total Liabilities</b>	<b>715,543</b>	<b>660,833</b>	<b>54,710</b>	<b>8.28%</b>	<b>597,021</b>	<b>63,812</b>	<b>10.69%</b>
<b>Net Assets</b>							
Invested in Capital Assets, Net of Related Debt	1,337,430	1,473,815	( 136,385)	( 9.26%)	1,565,045	( 91,230)	( 5.83%)
Restricted	64,531	91,123	( 29,092)	( 31.93%)	57,800	( 34,923)	( 60.43%)
Unrestricted	( 13,482)	76,507	( 87,489)	( 114.36%)	351,561	( 276,654)	( 78.70%)
<b>Total Net Assets</b>	<b>\$ 1,388,479</b>	<b>\$ 1,641,445</b>	<b>(\$ 252,966)</b>	<b>( 15.42%)</b>	<b>\$ 1,974,406</b>	<b>(\$ 332,961)</b>	<b>( 16.87%)</b>

**Net Assets**

The District's financial condition declined from the previous year. During 2011 the District's net assets decreased by \$252,966.

**West Custer County Hospital District  
Management's Discussion and Analysis (Continued)  
For the years ended December 31, 2011, 2010 and 2009**

**Net Assets (Continued)**

As shown in the above table, the District's total net assets decreased by \$252,966 resulting primarily from a decrease in program revenue and an increase in program expenses.

The District current liabilities which consist of accounts payable, a line of credit, and various accruals, increased from 2010 in the amount of \$54,710 as shown in the above table. At December 31, 2011 the outstanding balance on the line of credit was \$100,000.

The net assets of the District are reported in three categories. At December 31, 2011, \$1,337,430 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 assets of \$64,531 consist of \$41,500 for the emergency reserve required by the provisions of TABOR and \$23,031 for grant awards that have not been spent. Unrestricted net assets represent those which are not restricted by external requirements on their use or are otherwise unavailable by their nature.

**Capital Expenditures**

During 2011, the District expended \$36,717 in capital asset additions. The additions consisted of several items of medical and office equipment.

**Long Term Debt**

The District had no long-term debt outstanding as of December 31, 2011, 2010, or 2009. The only non-current liability related to accrued compensated absences.

**Budget Highlights and Future Projects of the District**

2011's loss of \$252,966 followed the trend started in 2009. Total losses for this three year period were \$835,846. 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) 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.

- 6) 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.
- 7) 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 ASSETS**  
**WEST CUSTER COUNTY HOSPITAL DISTRICT**  
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>	<u>Liabilities and Net Assets</u>	<u>2011</u>	<u>2010</u>
<b>Assets</b>					
<b>Current Assets</b>					
Cash and equivalents	\$ 21,418	\$ 46,129	Accounts payable	\$ 96,353	\$ 101,543
Certificate of deposit	-	65,057	Accrued payroll taxes and employee benefits	15,104	2,502
Certificate of deposit - restricted	81,170	95,232	Accrued interest	429	1,527
Receivables, net of allowance	141,427	95,401	Accrued compensated absences	19,925	20,831
Grant receivable	407	960	Accrued salaries	28,947	-
Taxes receivable	22	22	Line of credit	100,000	95,232
Inventories	51,335	70,161	Deferred property tax revenue - contra	454,785	439,198
Prepaid expenses	16,028	16,303			
Accrued property taxes - contra	454,785	439,198			
<b>Total Current Assets</b>	<u>766,592</u>	<u>828,463</u>	<b>Total Current Liabilities</b>	<u>715,543</u>	<u>660,833</u>
<b>Noncurrent Assets</b>					
<b>Capital assets:</b>					
Land	207,842	207,842	Invested in capital assets, net of related debt	1,337,430	1,473,815
Building and improvements	1,202,643	1,202,643	Restricted:		
Furniture and equipment	904,798	868,081	Emergency	41,500	39,000
Vehicles	369,389	369,389	Grant expenditures	23,031	52,123
Less accumulated depreciation	(1,347,242)	(1,174,140)	Unrestricted	(13,482)	76,507
<b>Total Noncurrent Assets</b>	<u>1,337,430</u>	<u>1,473,815</u>	<b>Total Net Assets</b>	<u>1,388,479</u>	<u>1,641,445</u>
<b>Total Assets</b>	<u>\$ 2,104,022</u>	<u>\$ 2,302,278</u>	<b>Total Liabilities and Net Assets</b>	<u>\$ 2,104,022</u>	<u>\$ 2,302,278</u>

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

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

**WEST CUSTER COUNTY HOSPITAL DISTRICT**

For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>Operating Revenues</b>		
Patient fees	\$ 727,067	\$ 826,564
Ambulance fees	440,737	350,790
Therapy fees	213,919	173,783
X-Ray fees	15,744	19,268
Lab fees	81,070	81,171
Pharmacy fees	30,587	25,142
Optometry fees	8,300	8,123
Home care fees	7,456	7,633
Administrative adjustments	<u>(601,302)</u>	<u>(715,109)</u>
<b>Total Operating Revenues</b>	<u>923,578</u>	<u>777,365</u>
<b>Operating Expenses</b>		
Administration	507,544	437,056
Ambulance service	335,640	325,188
Central service and supply	104,450	133,894
HCBS and home care visits	27	794
Laboratory	76,965	81,078
Maintenance and operation	68,290	67,835
Medical	574,456	631,283
Pharmacy	15,125	17,628
Therapy	105,160	83,986
X-Ray	13,369	19,998
Optometry	<u>11,575</u>	<u>10,825</u>
<b>Total Operating Expenses</b>	<u>1,812,601</u>	<u>1,809,565</u>
<b>Operating Loss</b>	<u>(889,023)</u>	<u>(1,032,200)</u>
<b>Nonoperating Revenue (Expenses)</b>		
General property tax	440,404	438,940
Specific ownership tax	46,080	48,682
Grant revenue	24,097	74,866
Investment income	1,173	3,079
Other non-operating revenue	54,194	53,739
Contributions	60,215	54,283
Interest expense	(4,940)	(4,069)
Treasurer collection fees	<u>(21,883)</u>	<u>(21,788)</u>
<b>Total Nonoperating Revenues</b>	<u>599,340</u>	<u>647,732</u>
<b>Income (Loss) Before Capital Contributions</b>	<u>(289,683)</u>	<u>(384,468)</u>
<b>Capital Contributions</b>	<u>36,717</u>	<u>51,507</u>
<b>Change in Net Assets</b>	<u>(252,966)</u>	<u>(332,961)</u>
<b>Total Net Assets - Beginning</b>	<u>1,641,445</u>	<u>1,974,406</u>
<b>Total Net Assets - Ending</b>	<u>\$ 1,388,479</u>	<u>\$ 1,641,445</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>Cash Flows From Operating Activities</b>		
Cash received from customers	\$ 894,450	\$ 965,704
Cash payments to suppliers for goods and services	(573,196)	(512,647)
Cash payments to employees for services	<u>(1,057,593)</u>	<u>(1,075,888)</u>
<b>Net Cash Used by Operating Activities</b>	<u>(736,339)</u>	<u>(622,831)</u>
<b>Cash Flows From Noncapital Financing Activities</b>		
Cash received from property taxes	486,484	490,922
Cash paid for treasurers fees	(21,883)	(21,788)
Cash received from contributions, grants, and fundraisers	121,582	129,184
Cash received from line of credit	4,768	5,000
Cash paid on line of credit	-	(768)
Cash paid for interest expense on line of credit	(6,038)	(2,542)
Other nonoperating revenue	<u>54,194</u>	<u>53,739</u>
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>639,107</u>	<u>653,747</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Acquisition of capital assets	(36,717)	(97,383)
Cash received from capital grants	28,946	76,507
Proceeds from sale of capital assets	-	-
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>(7,771)</u>	<u>(20,876)</u>
<b>Cash Flows from Investing Activities</b>		
Matured certificates of deposit	80,000	-
Purchased certificates of deposit	(881)	(2,688)
Investment income	<u>1,173</u>	<u>3,079</u>
<b>Net Cash Provided by Investing Activities</b>	<u>80,292</u>	<u>391</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(24,711)	10,431
<b>Cash and Cash Equivalents - Beginning</b>	<u>46,129</u>	<u>35,698</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 21,418</u>	<u>\$ 46,129</u>
<b>Supplemental Schedule of Cash Flow</b>		
Cash paid for interest	<u>\$ 6,038</u>	<u>\$ 2,542</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating income (loss)	\$ (889,023)	\$ (1,032,200)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	173,103	188,613
<b>(Increase) decrease in:</b>		
Accounts receivable	(46,026)	171,539
Inventory	18,826	(848)
Prepaid expense	275	(5,839)
<b>Increase (decrease) in:</b>		
Accounts payable	(5,190)	52,173
Accrued expenses	<u>11,696</u>	<u>3,731</u>
<b>Net Cash Used by Operations</b>	<u>\$ (736,339)</u>	<u>\$ (622,831)</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, 2011 and 2010

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**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 business-type activities of the Medical Center have been consolidated with the Hospital District's as presented in Note H.

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 assets 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, 2011 and 2010

**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>2011</u>	<u>2010</u>
Patient fees, net of allowance for doubtful accounts of \$65,656 and \$59,816	\$ 86,361	\$ 79,680
Ambulance fees, net of allowance for doubtful accounts of \$113,662 and \$70,442	55,066	15,721
<b>Total Accounts Receivable</b>	<u>\$ 141,427</u>	<u>\$ 95,401</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, 2011 and 2010. 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, 2011 and 2010

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**Note A - Summary of Significant Policies (Continued)**

**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, 2011 and 2010 was \$19,925 and \$20,831, 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, 2011 and 2010 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 2011 or 2010.

**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.

**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, 2011 and 2010, the District estimates its reserve requirement at \$41,500 and \$39,000, 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, 2011 and 2010

**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, 2011 the District incurred actual expenditures in excess of budget expenditures.

<u>Actual</u>	<u>Budget</u>	<u>Actual Over Budget</u>
\$ <u>1,877,047</u>	\$ <u>1,818,181</u>	\$ <u>58,866</u>

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, 2011 the District may not have had cash reserves adequate to provide for all unexpended grant proceeds.

**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.

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**WEST CUSTER COUNTY HOSPITAL DISTRICT**  
 December 31, 2011 and 2010

**Note C - Cash Deposits and Investments (Continued)**

**Cash Deposits (Continued)**

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:

	<b><u>Carrying Amount</u></b>	<b><u>Less Than One Year</u></b>	<b><u>Less Than Five Years</u></b>
<b>Deposits:</b>			
Checking	\$ 21,067	\$ 21,067	\$ -
Certificates of deposit	81,170	81,170	-
Petty cash	351	351	-
<b>Total</b>	<b><u>\$ 102,588</u></b>	<b><u>\$ 102,588</u></b>	<b><u>\$ -</u></b>

The District maintains cash in two different commercial banks, cash in these accounts at December 31, 2011 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.

**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, 2011 or 2010.

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**WEST CUSTER COUNTY HOSPITAL DISTRICT**  
December 31, 2011 and 2010

**Note D - Property Tax and Accrual**

Property taxes which have been levied for 2011 which will not be collected until 2012 have been accrued as a receivable at December 31, 2011. An offsetting liability for deferred property tax revenue has been recorded on the balance sheet.

**Note E - Changes in Capital Assets**

The following is a summary of the changes in capital assets for the year ended December 31, 2011.

	<b>December 31, 2010</b>	<b>Additions</b>	<b>Deletions</b>	<b>December 31, 2011</b>
Land	\$ 207,842	\$ -	\$ -	\$ 207,842
Building and improvements	1,202,643	-	-	1,202,643
Furniture and equipment	868,081	36,717	-	904,798
Vehicles	369,389	-	-	369,389
<b>Totals</b>	<b>\$ 2,647,955</b>	<b>\$ 36,717</b>	<b>\$ -</b>	<b>\$ 2,684,672</b>
Less depreciation	(1,174,140)			(1,347,242)
<b>Net Capital Assets</b>	<b>\$ 1,473,815</b>			<b>\$ 1,337,430</b>

Depreciation expense for the years ended December 31, 2011 and 2010 was \$173,102 and \$188,613, respectively. Accumulated depreciation for the years ended December 31, 2011 and 2010 was \$1,347,242 and \$1,174,140, respectively.

**Note F - Line of Credit**

The District has 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 expires October 28, 2012. At December 31, 2011 and 2010, the balance was \$100,000 and \$95,232, respectively. The line of credit is collateralized by a certificate of deposit held by the lender. At December 31, 2011 and 2010, the certificate of deposit balance was \$81,170 and \$160,289, respectively. At December 31, 2011 there was a deficiency of \$18,830 which has not yet been satisfied.

**Note G - Net Assets**

The basic financial statements utilize a net asset presentation. Net assets are 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 assets that are associated with non-liquid capital assets, less outstanding capital asset related debt.

Restricted net assets are amounts that have third-party limitation on their use. As of December 31, 2011 and 2010 restricted net assets consisted of \$41,500 and \$39,000 for the Tabor Emergency Reserve and \$23,031 and \$52,123 for unexpended grant funds, respectively.

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

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**WEST CUSTER COUNTY HOSPITAL DISTRICT**

December 31, 2011 and 2010

**Note H - Component Unit Presentation**

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.

<b>Statement of Net Assets</b>	<b><u>Hospital</u></b>	<b><u>Medical</u></b>	<b><u>Eliminations</u></b>	<b><u>2011</u></b>
	<b><u>District</u></b>	<b><u>Center</u></b>		<b><u>Totals</u></b>
Current and other assets	\$ 877,170	\$ 160,141	\$ (270,719)	\$ 766,592
Capital assets	1,337,430	-	-	1,337,430
<b>Total Assets</b>	<b>2,214,600</b>	<b>160,141</b>	<b>(270,719)</b>	<b>2,104,022</b>
Current liabilities	656,288	208,032	(148,777)	715,543
<b>Total Liabilities</b>	<b>656,288</b>	<b>208,032</b>	<b>(148,777)</b>	<b>715,543</b>
<b>Net Assets</b>				
Capital assets, net of related debt	1,337,430	-	-	1,337,430
Restricted	64,531	-	-	64,531
Unrestricted	156,351	(47,891)	(121,942)	(13,482)
<b>Total Net Assets</b>	<b>\$ 1,558,312</b>	<b>\$ (47,891)</b>	<b>\$ (121,942)</b>	<b>\$ 1,388,479</b>

**Statement of Revenues, Expenses  
and Changes in Net Assets**

	<b><u>Hospital</u></b>	<b><u>Medical</u></b>	<b><u>Eliminations</u></b>	<b><u>2011</u></b>
	<b><u>District</u></b>	<b><u>Center</u></b>		<b><u>Totals</u></b>
Patient fees - various	\$ 1,153,507	\$ 371,373	\$ -	\$ 1,524,880
Administrative adjustments	(483,292)	(118,010)	-	(601,302)
<b>Total Program Revenue</b>	<b>670,215</b>	<b>253,363</b>	<b>-</b>	<b>923,578</b>
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	8,575	3,000	-	11,575
<b>Total Program Expenses</b>	<b>1,695,051</b>	<b>426,432</b>	<b>(308,882)</b>	<b>1,812,601</b>
Taxes	464,601	-	-	464,601
Grants and donations	79,812	4,500	-	84,312
Other revenue and expenses	360,573	(1,264)	(308,882)	50,427
<b>Total Nonoperating Revenues</b>	<b>904,986</b>	<b>3,236</b>	<b>(308,882)</b>	<b>599,340</b>
<b>Capital Contributions</b>	<b>36,717</b>	<b>121,942</b>	<b>(121,942)</b>	<b>36,717</b>
<b>Change in Net Assets</b>	<b>(83,133)</b>	<b>(47,891)</b>	<b>(121,942)</b>	<b>(252,966)</b>
<b>Total Net Assets-Beginning</b>	<b>1,641,445</b>	<b>-</b>	<b>-</b>	<b>1,641,445</b>
<b>Total Net Assets-Ending</b>	<b>\$ 1,558,312</b>	<b>\$ (47,891)</b>	<b>\$ (121,942)</b>	<b>\$ 1,388,479</b>

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**WEST CUSTER COUNTY HOSPITAL DISTRICT**  
December 31, 2011 and 2010

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**Note I - Contingencies**

Going Concern

As indicated in the accompanying financial statement, the Organization showed a decrease in net assets of \$252,966 during the year ended December 31, 2011, continuing a three year trend. As of that date, the Organization's current assets exceeded its current liabilities by \$51,049. The District's cash balance of \$21,418 does not cover restricted net assets of \$62,031. Also, a certificate of deposit serves as collateral for the District's line of credit. As of December 31, 2011 the certificate of deposit was \$81,170 and the line of credit balance was \$100,000. The deficiency has not yet been addressed by the District. Those factors, as well as the uncertain conditions that the Organization faces regarding its loan agreements (as discussed in Note F), 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 by the Organization's bank creditors and the plan's success. The financial statements do not include any adjustments that might be necessary if the Organization is unable to continue as a going concern.

**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, 2011

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>2011 Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>				
Patient fees (less administrative adjustments)	\$ 680,130	\$ 680,130	\$ 363,319	\$ (316,811)
Ambulance fees (less administrative adjustments)	172,460	172,460	204,073	31,613
HCBS fees (less administrative adjustments)	-	-	7,456	7,456
Therapy fees	110,097	110,097	213,919	103,822
X-Ray fees	14,311	14,311	15,744	1,433
Lab fees	59,039	59,039	81,070	22,031
Pharmacy fees	16,522	16,522	30,587	14,065
Optometry services	6,093	6,093	7,410	1,317
<b>Total Revenues</b>	<u>1,058,652</u>	<u>1,058,652</u>	<u>923,578</u>	<u>(135,074)</u>
<b>Nonoperating Revenues</b>				
General property tax	439,198	439,198	440,404	1,206
Specific ownership tax	51,000	51,000	46,080	(4,920)
Grant revenue	31,000	31,000	60,215	29,215
Investment income	3,500	3,500	1,173	(2,327)
Contributions	50,000	50,000	60,814	10,814
Other non-operating revenue	29,626	29,626	54,194	24,568
<b>Total Nonoperating Revenues</b>	<u>604,324</u>	<u>604,324</u>	<u>662,880</u>	<u>58,556</u>
<b>Total Revenues</b>	<u>1,662,976</u>	<u>1,662,976</u>	<u>1,586,458</u>	<u>(76,518)</u>
<b>Operating Expenses</b>				
<b>Administration</b>				
Salaries and employee benefits	361,389	361,389	445,082	(83,693)
Payroll taxes	23,509	23,509	25,130	(1,621)
Supplies	6,000	6,000	27,207	(21,207)
Professional services	3,000	3,000	3,301	(301)
Marketing	10,140	10,140	4,151	5,989
Travel	-	-	1,759	(1,759)
Staff meetings	-	-	1,721	(1,721)
Training	200	200	99	101
<b>Total Administration</b>	<u>404,238</u>	<u>404,238</u>	<u>508,450</u>	<u>(104,212)</u>
<b>Ambulance Service</b>				
Salaries and employee benefits	148,005	148,005	141,617	6,388
Payroll taxes	-	-	541	(541)
Supplies	22,500	22,500	45,303	(22,803)
Professional services	750	750	2,596	(1,846)
Marketing	-	-	386	(386)
Repairs and maintenance	1,500	1,500	2,981	(1,481)
Travel	5,000	5,000	5,849	(849)
Insurance	6,300	6,300	3,827	2,473
Rent	-	-	-	-
Training	10,000	10,000	10,559	(559)
Depreciation	101,898	101,898	102,120	(222)
Bad debts	21,000	21,000	6,998	14,002
Collection costs	2,000	2,000	4,757	(2,757)
Telephone	2,500	2,500	2,695	(195)
Provider / Employee Adjustments	2,000	2,000	-	2,000
Utilities	5,300	5,300	5,411	(111)
<b>Total Ambulance Service</b>	<u>328,753</u>	<u>328,753</u>	<u>335,640</u>	<u>(6,887)</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, 2011

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>2011 Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Central Service and Supply</b>				
Supplies	\$ 5,000	\$ 5,000	\$ 7,566	\$ (2,566)
Repairs and maintenance	500	500	2,192	(1,692)
Telephone	10,500	10,500	13,211	(2,711)
Postage	4,000	4,000	3,113	887
Professional services	40,120	40,120	38,477	1,643
Collection costs	2,000	2,000	3,244	(1,244)
Travel	1,500	1,500	1,961	(461)
Insurance	8,450	8,450	7,770	680
Publicity, subscriptions, dues	3,000	3,000	2,682	318
Depreciation	12,133	12,133	13,729	(1,596)
Bad debts	10,800	10,800	9,900	900
Training	2,000	2,000	605	1,395
<b>Total Central and Supply</b>	<u>100,003</u>	<u>100,003</u>	<u>104,450</u>	<u>(4,447)</u>
<b>HCBS and Home Care Visits</b>				
Travel	-	-	27	(27)
<b>Total HCBS</b>	<u>-</u>	<u>-</u>	<u>27</u>	<u>(27)</u>
<b>Laboratory</b>				
Salaries	31,483	31,483	21,430	10,053
Payroll taxes	2,471	2,471	1,939	532
Supplies	33,000	33,000	27,760	5,240
Professional services	2,900	2,900	8,049	(5,149)
Depreciation	10,893	10,893	11,637	(744)
Repairs and maintenance	7,800	7,800	6,150	1,650
<b>Total Laboratory</b>	<u>88,547</u>	<u>88,547</u>	<u>76,965</u>	<u>11,582</u>
<b>Maintenance and Operation</b>				
Salaries	24,476	24,476	15,122	9,354
Payroll taxes	1,466	1,466	1,120	346
Supplies	3,500	3,500	1,410	2,090
Repairs and maintenance	2,000	2,000	3,543	(1,543)
Professional services	920	920	1,005	(85)
Depreciation	26,039	26,039	25,916	123
Utilities	15,000	15,000	20,174	(5,174)
<b>Total Maintenance and Operation</b>	<u>73,401</u>	<u>73,401</u>	<u>68,290</u>	<u>5,111</u>
<b>Medical</b>				
Salaries	533,825	533,825	452,281	81,544
Payroll taxes	22,564	22,564	22,724	(160)
Supplies	26,000	26,000	27,728	(1,728)
Immunization cost	7,000	7,000	20,796	(13,796)
Repairs and maintenance	1,000	1,000	1,388	(388)
Professional services	4,270	4,270	5,067	(797)
Insurance	24,695	24,695	26,750	(2,055)
Rent	6,300	6,300	6,773	(473)
Publicity, subscriptions, dues	2,500	2,500	3,054	(554)
Depreciation	5,967	5,967	6,194	(227)
Provider / Employee adjustments	13,000	13,000	-	13,000
Training and travel	4,500	4,500	1,701	2,799
<b>Total Medical</b>	<u>651,621</u>	<u>651,621</u>	<u>574,456</u>	<u>77,165</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, 2011

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>2011 Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Pharmacy</b>				
Supplies	\$ 20,000	\$ 20,000	\$ 15,125	\$ 4,875
<b>Total Pharmacy</b>	<u>20,000</u>	<u>20,000</u>	<u>15,125</u>	<u>4,875</u>
<b>Therapy</b>				
Salaries	84,355	84,355	94,259	(9,904)
Payroll taxes	6,167	6,167	6,479	(312)
Supplies	1,500	1,500	1,870	(370)
Training	-	-	338	(338)
Repairs and maintenance	-	-	520	(520)
Depreciation	1,281	1,281	1,531	(250)
Travel	200	200	163	37
<b>Total Therapy</b>	<u>93,503</u>	<u>93,503</u>	<u>105,160</u>	<u>(11,657)</u>
<b>X-Ray</b>				
Salaries	7,871	7,871	77	7,794
Payroll taxes	618	618	6	612
Supplies	1,000	1,000	62	938
Repairs and maintenance	100	100	100	-
Professional services	1,990	1,990	3,328	(1,338)
Depreciation	9,401	9,401	9,401	-
Publicity, subscriptions, dues	-	-	395	(395)
<b>Total X-Ray</b>	<u>20,980</u>	<u>20,980</u>	<u>13,369</u>	<u>7,611</u>
<b>Optometry</b>				
Contract labor	9,000	9,000	9,000	-
Depreciation	2,575	2,575	2,575	-
<b>Total Optometry</b>	<u>11,575</u>	<u>11,575</u>	<u>11,575</u>	<u>-</u>
<b>Total Operating Expenses</b>	<u>1,792,621</u>	<u>1,792,621</u>	<u>1,813,507</u>	<u>(20,886)</u>
<b>Nonoperating Expenditures</b>				
Treasurer collection fees	21,960	21,960	21,883	77
Capital outlay	2,600	2,600	36,717	(34,117)
Other non operating	1,000	1,000	4,940	(3,940)
<b>Total Nonoperating Expenditures</b>	<u>25,560</u>	<u>25,560</u>	<u>63,540</u>	<u>(37,980)</u>
<b>Total Expenditures</b>	<u>1,818,181</u>	<u>1,818,181</u>	<u>1,877,047</u>	<u>(58,866)</u>
<b>Excess of Revenues Over (Under) Expenditures (Budgetary Basis)</b>	<u>(155,205)</u>	<u>(155,205)</u>	<u>(290,589)</u>	<u>(135,384)</u>
<b>Fund Balance - Beginning of Year</b>	<u>174,884</u>	<u>174,884</u>	<u>746,038</u>	<u>571,154</u>
<b>Fund Balance - End of Year</b>	<u>\$ 19,679</u>	<u>\$ 19,679</u>	<u>\$ 455,449</u>	<u>\$ 435,770</u>

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

**BUDGET RECONCILIATION**  
WEST CUSTER COUNTY HOSPITAL DISTRICT  
December 31, 2011

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**Reconciliation From Budgetary Basis to GAAP Basis of Accounting**

<b>Revenue (Budgetary and GAAP Basis )</b>	<b><u>\$ 1,586,458</u></b>
<b>Expenditures (GAAP Basis)</b>	1,839,424
Plus:	
Change in vacation leave accrual	906
Capital outlay	<u>36,717</u>
	<b>Expenditures (Budgetary Basis) <u>1,877,047</u></b>
	<b>Net Income <u>\$ (290,589)</u></b>

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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>Administration</b>		
Salaries and employee benefits	\$ 444,176	\$ 393,081
Payroll taxes	25,130	22,819
Supplies	27,207	8,929
Professional services	3,301	599
Marketing	4,151	5,786
Travel	1,759	892
Staff meetings	1,721	1,876
Training	99	3,074
<b>Total Administration</b>	<u>507,544</u>	<u>437,056</u>
<b>Ambulance Service</b>		
Salaries and employee benefits	141,617	147,615
Payroll taxes	541	10
Supplies	45,303	31,673
Professional services	2,596	744
Marketing	386	-
Repairs and maintenance	2,981	1,760
Travel	5,849	5,861
Insurance	3,827	5,725
Rent	-	1,500
Training	10,559	10,694
Depreciation	102,120	99,660
Bad debts	6,998	11,000
Collection costs	4,757	2,069
Telephone	2,695	2,741
Utilities	5,411	4,136
<b>Total Ambulance Service</b>	<u>335,640</u>	<u>325,188</u>
<b>Central Service and Supply</b>		
Supplies	7,566	5,906
Repairs and maintenance	2,192	661
Telephone	13,211	11,319
Postage	3,113	3,787
Professional services	38,477	65,632
Collection costs	3,244	2,950
Travel	1,961	2,080
Insurance	7,770	8,020
Publicity, subscriptions, dues	2,682	2,293
Training	605	(4,927)
Depreciation	13,729	30,373
Bad debts	9,900	5,800
<b>Total Central and Supply</b>	<u>104,450</u>	<u>133,894</u>
<b>HCBS and Home Care Visits</b>		
Salaries and employee benefits	-	642
Payroll taxes	-	14
Travel	27	138
<b>Total HCBS</b>	<u>27</u>	<u>794</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>Laboratory</b>		
Salaries	\$ 21,430	\$ 17,858
Payroll taxes	1,939	1,529
Supplies	27,760	32,099
Professional services	8,049	10,456
Repairs and maintenance	6,150	7,150
Depreciation	11,637	11,986
<b>Total Laboratory</b>	<u>76,965</u>	<u>81,078</u>
<b>Maintenance and Operation</b>		
Salaries	15,122	15,063
Payroll taxes	1,120	1,216
Supplies	1,410	3,464
Repairs and maintenance	3,543	3,906
Professional services	1,005	1,105
Utilities	20,174	16,658
Depreciation	25,916	26,423
<b>Total Maintenance and Operation</b>	<u>68,290</u>	<u>67,835</u>
<b>Medical</b>		
Salaries	452,281	522,238
Payroll taxes	22,724	22,064
Supplies	27,728	23,513
Immunization cost	20,796	13,811
Repairs and maintenance	1,388	1,239
Professional services	5,067	4,365
Insurance	26,750	23,171
Rent	6,773	6,450
Publicity, subscriptions, dues	3,054	2,129
Training and travel	1,701	4,908
Depreciation	6,194	7,395
<b>Total Medical</b>	<u>574,456</u>	<u>631,283</u>
<b>Pharmacy</b>		
Supplies	15,125	17,628
<b>Total Pharmacy</b>	<u>15,125</u>	<u>17,628</u>
<b>Therapy</b>		
Salaries	94,259	74,311
Payroll taxes	6,479	5,268
Supplies	1,870	1,913
Marketing	-	225
Repairs and maintenance	520	-
Training	338	604
Depreciation	1,531	1,329
Travel	163	336
<b>Total Therapy</b>	<u>105,160</u>	<u>83,986</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>X-Ray</b>		
Salaries	\$ 77	\$ 7,066
Payroll taxes	6	562
Supplies	62	859
Repairs and maintenance	100	1,178
Professional services	3,328	1,462
Publicity, subscriptions, dues	395	-
Depreciation	9,401	8,871
<b>Total X-Ray</b>	<u>13,369</u>	<u>19,998</u>
<b>Optometry</b>		
Contract labor	9,000	8,250
Depreciation	2,575	2,575
<b>Total Optometry</b>	<u>11,575</u>	<u>10,825</u>
 <b>Total Operating Expenses</b>	 <u>\$ 1,812,601</u>	 <u>\$ 1,809,565</u>

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