

Bear Valley Community Health Care District
Budget Operating Statements Fiscal Year Ending June 30, 2012

Operating Statements Highlights—Hospital

STATEMENT OF OPERATIONS

	A	B	C	D	E	F	G	H	I	J
	Year-to-date					Year-to-Date				
	FY 09/10	FY 10/11	FY 10/11	VARIANCE		FY 09/10	FY 11/12	FY 10/11	VARIANCE	
	Actual	Estimated	Budget	Amount	%	Actual	Budget	Estimated	Amount	%
1 Total patient revenue	29,539,733	32,418,717	31,362,078	1,056,639	3.4%	29,539,733	34,783,149	32,418,717	2,364,432	7.3%
Total revenue										
2 deductions	11,423,894	12,516,898	13,109,348	(592,450)	-4.5%	11,423,894	13,787,175	12,516,898	1,270,277	10.1%
3 Net Patient Revenue	18,115,839	19,901,819	18,252,730	1,649,089	9.0%	18,115,839	20,995,974	19,901,819	1,094,155	5.5%
4 Other Revenue	114,105	135,031	85,000	50,031	58.9%	114,105	138,000	135,031	2,969	2.2%
Total Operating										
5 Revenue	18,229,944	20,036,850	18,337,730	1,699,120	9.3%	18,229,944	21,133,974	20,036,850	1,097,124	5.5%
6 Total Expenses	19,427,348	22,188,114	20,890,834	1,297,280	6.2%	19,427,348	23,092,821	22,188,114	904,707	4.1%
SURPLUS (LOSS)										
7 FROM OPERATIONS	(1,197,404)	(2,151,264)	(2,553,104)	401,840	15.7%	(1,197,404)	(1,958,847)	(2,151,264)	192,417	8.9%
8 Total Non-operating	291,232	217,043	346,000	(128,957)	-37.3%	291,232	374,843	217,043	157,800	72.7%
9 SURPLUS (LOSS)	(906,172)	(1,934,221)	(2,207,104)	272,883	12.4%	(906,172)	(1,584,004)	(1,934,221)	350,217	18.1%

Bear Valley Community Health Care District
Budget Operating Statements Fiscal Year Ending June 30, 2012

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Statement of Operations—Combined

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	Year-to-date					Year-to-Date						
	FY 10/11		FY 10/11		VARIANCE	FY 09/10	FY 11/12		FY 10/11		VARIANCE	
	Actual	Estimated	Budget	Amount			%	Budget	Estimated	Amount		%
GROSS PATIENT REVENUE												
1 Inpatient	4,362,737	3,919,479	4,366,827	(447,348)	-10.2%	4,362,737	4,206,416	3,919,479	286,937	7.3%		
2 Outpatient	22,350,416	25,462,534	24,075,251	1,387,283	5.8%	22,350,416	27,946,567	25,462,534	2,484,033	9.8%		
3 Skilled Nursing Facility	2,826,580	3,036,704	2,920,000	116,704	4.0%	2,826,580	2,630,166	3,036,704	(406,538)	-13.4%		
4 Total patient revenue	29,539,733	32,418,717	31,362,078	1,056,639	3.4%	29,539,733	34,783,149	32,418,717	2,364,432	7.3%		
REVENUE DEDUCTIONS												
5 Contractual Allow	11,849,423	12,930,898	12,647,348	283,550	2.2%	11,849,423	13,627,175	12,930,898	696,277	5.4%		
6 Other Deductions	491,534	583,000	462,000	121,000	26.2%	491,534	610,000	583,000	27,000	4.6%		
7 Contractual Allow PY	(917,063)	(997,000)	-	(997,000)	#DIV/0!	(917,063)	(450,000)	(997,000)	547,000	(0.55)		
8 Total revenue deductions	11,423,894	12,516,898	13,109,348	(592,450)	-4.5%	11,423,894	13,787,175	12,516,898	1,270,277	10.1%		
9 Net Patient Revenue	18,115,839	19,901,819	18,252,730	1,649,089	9.0%	18,115,839	20,995,974	19,901,819	1,094,155	5.5%		
10 Other Revenue	114,105	135,031	85,000	50,031	58.9%	114,105	138,000	135,031	2,969	2.2%		
11 Total Operating Revenue	18,229,944	20,036,850	18,337,730	1,699,120	9.3%	18,229,944	21,133,974	20,036,850	1,097,124	5.5%		
EXPENSES												
12 Salaries	7,376,112	8,511,479	9,160,698	(649,219)	-7.1%	7,376,112	9,614,503	8,511,479	1,103,024	13.0%		
13 Employee Benefits	2,415,583	2,904,868	2,063,276	841,592	40.8%	2,415,583	2,396,014	2,904,868	(508,854)	-17.5%		
14 Nursing Registry	68,241	-	-	-	#DIV/0!	68,241	-	-	-	#DIV/0!		
15 Salaries and Benefits	9,859,936	11,416,347	11,223,974	192,373	1.7%	9,859,936	12,010,517	11,416,347	594,170	5.2%		
16 Professional fees	1,489,163	1,711,276	1,614,825	96,451	6.0%	1,489,163	1,573,801	1,711,276	(137,475)	-8.0%		
17 Supplies	1,592,187	1,697,775	1,528,242	169,533	11.1%	1,592,187	1,710,068	1,697,775	12,293	0.7%		
18 Purchased Services	1,605,127	1,719,892	1,420,852	299,040	21.0%	1,605,127	1,732,031	1,719,892	12,139	0.7%		
19 Insurance	164,648	153,597	166,000	(12,403)	-7.5%	164,648	190,500	153,597	36,903	24.0%		
20 Depreciation	625,802	598,309	600,000	(1,691)	-0.3%	625,802	561,614	598,309	(36,695)	-6.1%		
21 Interest	44,075	43,996	43,724	272	0.6%	44,075	43,887	43,996	(109)	-0.2%		
22 Bad Debts	3,007,089	3,555,718	2,988,022	567,696	19.0%	3,007,089	3,756,580	3,555,718	200,862	5.6%		
Other Expense.	1,226,461	1,338,576	1,387,475	(48,899)	-3.5%	1,226,462	1,579,603	1,338,576	241,027	18.0%		
23 Total Expenses	19,614,488	22,235,486	20,973,114	1,262,372	6.0%	19,614,489	23,158,601	22,235,486	923,115	4.2%		
24 SURPLUS (LOSS) FROM OPERATIONS	(1,384,544)	(2,198,636)	(2,635,384)	436,748	16.6%	(1,384,545)	(2,024,627)	(2,198,636)	174,009	7.9%		
25 NON-OPERATING INCOME												
26 Tax Revenue	2,190,241	2,003,752	2,180,000	(176,248)	-8.1%	2,190,241	2,178,735	2,003,752	174,983	8.7%		
27 Other non-operating	386,304	279,459	526,000	(246,541)	-46.9%	386,304	484,843	279,459	205,384	73.5%		
28 Total Non-operating	2,576,545	2,283,211	2,706,000	(422,789)	-15.6%	2,576,545	2,663,578	2,283,211	380,367	16.7%		
29 SURPLUS (LOSS)	1,192,001	84,575	70,616	13,959	19.8%	1,192,000	638,951	84,575	554,376	655.5%		

**Bear Valley Community Health Care District
Budget Operating Statements Fiscal Year Ending June 30, 2012**

Key Operating Indicators

STATISTICS

	Year-to-date					Year-to-Date				
	FY 09/10	FY 10/11	FY 10/11	VARIANCE		FY 09/10	FY 11/12	FY 10/11	VARIANCE	
	Actual	Estimate	Budget	Amount	%	Actual	Budget	Estimate	Amount	%
I ACUTE										
Average Daily Census [ADC]	2.5	2.3	2.8	(0.5)	-17.9%	2.5	2.5	2.3	0.2	8.7%
Patient Days	912	850	1,018	(168)	-16.5%	912	915	850	65	7.6%
II SKILLED NURSING FACILITY										
Average Daily Census [ADC]	20.5	20.8	20.0	0.8	4.0%	20.5	20.8	20.8	-	0.0%
Patient Days	7,465	7,592	7,299	293	4.0%	7,465	7,592	7,592	-	0.0%
III EMERGENCY DEPARTMENT										
Visits	10,095	9,954	9,990	(36)	-0.4%	10,095	10,200	9,954	246	2.5%
IV SURGERY										
Operating Room Surgeries	237	495	304	191	62.8%	237	520	495	25	5.1%
Anesthesia										
Anesthesia Minutes	15,650	28,881	24,378	4,503	18.5%	15,650	30,339	28,881	1,458	5.0%
V ANCILLARY SERVICES										
Laboratory	44,391	47,189	43,586	3,603	8.3%	44,391	47,600	47,189	411	0.9%
X-ray	9,306	10,058	9,990	68	0.7%	9,306	10,007	10,058	(51)	-0.5%
CT	3,072	2,879	3,003	(124)	-4.1%	3,072	3,001	2,879	122	4.2%
Ultrasound	1,153	1,453	1,113	340	30.5%	1,153	1,400	1,453	(53)	-3.6%
Physical Therapy	4,521	5,110	4,340	770	17.7%	4,521	5,400	5,110	290	5.7%
Respiratory Therapy	1,484	1,474	1,385	89	6.4%	1,484	1,449	1,474	(25)	-1.7%
EKG	2,183	2,338	2,090	248	11.9%	2,183	2,338	2,338	-	0.0%
RURAL HEALTH										
VI CLINICS										
Combined visits	10,854	14,445	13,857	588	4.2%	10,854	14,700	14,445	255	1.8%
FHC visits	7,530	9,303	9,291	12	0.1%	7,530	9,530	9,303	227	2.4%
RHC visits	3,324	5,142	4,566	576	12.6%	3,324	5,170	5,142	28	0.5%

**Bear Valley Community Health Care District
Budget Operating Statements Fiscal Year Ending June 30, 2012**

**Budget Operating Statements Variance Analysis
FY 11/12 BUDGET vs. FY 10/11 ESTIMATE**

FY 10/11 Estimate vs.
FY 10/11 Budget

FY 11/12 Budget vs.
FY 10/11 Estimate

FY 11/12 BUDGET vs. FY 10/11 ESTIMATE

REVENUE

Acute Inpatient

D1	E1
(447,348)	-10.2%

H1	I1
286,937	7.3%

- Slight increase in acute patient days for FY 11/12 BUDGET no increase in room rate.
CDM average overall price increase for ancillary services approximately 7%, no price increase
- for Laboratory procedures and acute room rate

Outpatient

D2	E2
1,387,283	5.8%

H2	I2
2,484,033	9.8%

- CDM average overall price increase for ancillary services approximately 7%, no price increase
- for Laboratory procedures
ER Evaluation & Management codes increased approximately 15%, while other ER items increased 10%, CDM comparable with hospitals in Apple, Victor Valley, Redlands as a
- baseline standard.

SNF

D3	E3
116,704	4.0%

H3	I3
(406,538)	-13.4%

- Patient days for FY 11/12 Budget are projected at no increase over FY 10/11
Room rate reduced 8% principally due to the proposed reduction in Medical reimbursement.
The state is proposing a rollback of the per patient day reimbursement to the FY 08/09 rate less 10%. Accordingly, any price increase in room rate would be added to the contractual adjustment, since most of the residents are Medical; therefore a price increase inflates gross
- revenue with no affect on net revenue.

Contractual Allowances (CA)

D12	E12
(592,450)	-4.5%

H12	I12
1,270,277	10.1%

- Contractual Allowances for FY 11/12 are expected to be 39.6% this rate slightly higher than FY10/11.
Charity for the Budget FY 11/12 is projected to be consistent with the trending of prior years, 1.1% of gross revenue. However with the continuing economic conditions this trend could be higher. Nevertheless, our Charity Care write-off percent according to the most recent OSHPD reported statistics is 1.09% and the
- Median for District Hospitals is 0.88%.
- No increase for Administrative write off, FY 11/12 Budget is expected to be consistent with FY 10/11
- No increase in Policy Discounts, FY 11/12 Budget is expected to be consistent with FY 10/11.
- No increase in Employee Discounts, the Budget FY 11/12 is expected to be consistent with FY 10/11.

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EXPENSES

Salaries/Benefits

D19	E19
207,561	1.9%

H19	I19
578,982	5.1%

- FY 09/10 higher salaries
- Health insurance premium is projected to increase at 18%

Professional Fees

D20	E20
96,451	6.0%

H20	I20
(137,475)	-8.0%

- Lower professional fees for FY 11/12

Supply Cost

D21	E21
169,533	11.1%

H21	I21
12,293	0.7%

- Supply cost is FY 11/12 is budgeted at 5.0% as compared to FY 10/11 5.2%; FY 09/10 5.2%;
- FY 08/09 5.9% and FY 07/08 6.3%.

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	D22	E22
Purchased Services	310,843	22.2%

H22	I22
11,336	0.7%

- FY 10/11 Budget for purchased services slightly higher than for FY 10/11

	D23	E23
Insurance	(12,403)	-7.5%

H23	I23
36,903	24.0%

- Insurance premium projected higher principally due to higher workers compensation due to an increased experience modification for FY 11/12.

	D24	E24
Depreciation	(1,691)	-0.3%

H24	I24
(36,695)	-6.1%

- Depreciation for Budget FY 11/12 projected slight decrease. Hospital and major equipment at end of useful lives resulting in lower depreciation offset by capital additions.

	D26	E26
Provision for Bad Debts	567,696	19.0%

H26	I26
200,862	5.6%

- Unfortunately Budget FY 11/12 Bad Debts as a percentage of gross revenue is projected flat at 10.8%. Due to the current economic conditions FY11/12 and FY10/11 are materially higher than FY09/10 9.7%. However, if the economy continues to move deeper into a downturn cycle, as many economists continue to predict, the bad debts could creep up higher. Nevertheless, improved front end registration focus should help contain our bad debts. Local patients continue to make up approximately 79% of the bad debts and approximately 69% of the local bad debts are private pay. This high percentage of private pay is indicative of a tourism, hospitality and real estate based economy. These industries traditionally do not offer health insurance.

	D32	E32
Non-Operating Revenue	(128,957)	-37.3%

H32	I32
157,800	72.7%

	D28	E28
Non-Operating Revenue	(293,832)	-12.5%

H28	I28
222,567	10.8%

	D26	E26
Tax Revenue	(176,248)	-8.1%

H26	I26
174,983	8.7%

- Tax Revenue for FY 11/12 is projected to remain at the same level as FY10/11. The projection is based on the most recent information from the county of San Bernardino.

	D27	E27
Other non-operating	(117,584)	-65.3%

H27	I27
47,584	76.2%

- Budget FY 11/12 investment income is projected to be flat, but interest rates for LAIF and banks continue to be low during the economic downturn offset by higher investments.

**Bear Valley Community Healthcare District
Operating Indicators Trending History
Census Statistics**

Schedule 1

for the Fiscal Years Ending June 30, 2004 through 2012

	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	March	April	May	June	Total	YTD Variance
Patient Days Acute														
FY 03/04	48	87	87	67	84	114	130	73	65	76	42	66	939	75.8%
FY 04/05	40	91	82	118	89	92	113	74	44	61	62	86	952	1.4%
FY 05/06	49	52	62	50	42	90	95	96	115	95	65	52	863	-9.3%
FY 06/07	93	61	38	74	64	90	96	100	92	77	78	74	937	8.6%
FY 07/08	92	75	68	90	62	121	110	108	104	66	62	92	1,050	12.1%
FY 08/09	84	84	72	102	68	107	94	70	71	92	111	69	1,024	-2.5%
FY 09/10	65	71	65	79	65	97	100	82	78	74	65	71	912	-10.9%
FY 10/11 ESTIMATE	60	59	73	74	57	86	98	79	65	57	72	70	850	-6.8%
FY 11/12 BUDGET	65	70	67	79	65	97	101	83	77	72	68	71	915	7.6%
Variance Budget v Estimate	5	11	(6)	5	8	11	3	4	12	15	(4)	1	65	-92.9%
Variance percent	7.7%	15.7%	-9.0%	6.3%	12.3%	11.3%	3.0%	4.8%	15.6%	20.8%	-5.9%	1.4%	7.6%	
Patient Days SNF														
FY 03/04	565	586	563	534	513	588	581	520	596	589	620	600	6,855	
FY 04/05	597	618	598	620	599	571	581	534	556	530	576	575	6,955	1.5%
FY 05/06	641	602	577	638	585	624	605	570	636	606	610	596	7,290	4.8%
FY 06/07	620	606	571	601	581	569	549	607	621	599	630	558	7,112	-2.4%
FY 07/08	619	620	596	609	626	648	576	541	546	602	606	603	7,192	1.1%
FY 08/09	646	651	617	577	589	546	557	533	618	609	651	630	7,224	0.4%
FY 09/10	636	603	569	629	627	651	644	569	651	630	626	630	7,465	3.3%
FY 10/11 ESTIMATE	651	647	630	651	627	635	647	560	645	630	634	635	7,592	1.7%
FY 11/12 BUDGET	653	653	630	638	623	630	623	585	638	630	651	638	7,592	0.0%
Variance Budget v Estimate	(2)	(6)	-	13	4	5	24	(25)	7	-	(17)	(3)	-	-100.0%
Variance percent	-0.3%	-0.9%	0.0%	2.0%	0.6%	0.8%	3.9%	-4.3%	1.1%	0.0%	-2.6%	-0.5%	0.0%	
ER Visits														
FY 03/04	893	885	676	552	676	1,347	1,376	1,131	833	555	652	697	10,273	4.5%
FY 04/05	906	815	664	618	692	1,218	1,049	860	797	656	643	689	9,607	-6.5%
FY 05/06	847	862	673	645	642	1,137	1,157	1,000	914	785	652	710	10,024	4.3%
FY 06/07	870	827	660	575	641	1,135	1,209	1,056	865	604	678	707	9,827	-2.0%
FY 07/08	836	796	696	645	681	1,183	1,244	1,172	884	628	689	705	10,159	3.4%
FY 08/09	864	861	693	619	683	954	1,231	881	903	733	829	754	10,005	-1.5%
FY 09/10	867	874	760	670	809	1,111	1,067	928	879	680	700	750	10,095	0.9%
FY 10/11 ESTIMATE	857	912	693	690	721	969	1,178	1,030	844	678	691	691	9,954	-1.4%
FY 11/12 BUDGET	888	856	694	633	694	1,164	1,235	1,041	878	674	704	727	10,200	2.5%
Variance Budget v Estimate	31	(44)	1	(57)	(27)	195	57	11	34	(4)	13	36	246	-97.5%
Variance percent	3.5%	-5.1%	0.1%	-9.0%	-3.9%	16.8%	4.6%	1.1%	3.9%	-0.6%	1.8%	5.0%	2.4%	
Surgeries														
FY 03/04	18	25	22	25	28	29	34	22	23	27	37	27	317	296.3%
FY 04/05	26	19	26	24	26	27	29	36	25	35	30	37	340	7.3%
FY 05/06	28	38	35	16	24	28	26	29	39	27	23	37	350	2.9%
FY 06/07	39	40	36	33	34	37	40	34	55	33	43	43	467	33.4%
FY 07/08	39	47	42	36	44	53	53	41	31	23	32	21	462	-1.1%
FY 08/09	35	37	38	47	24	15	20	15	8	32	53	7	331	-28.4%
FY 09/10	17	13	15	19	19	12	18	9	22	29	29	35	237	-28.4%
FY 10/11 ESTIMATE	32	26	41	42	41	43	36	51	42	58	42	41	495	108.9%
FY 11/12 BUDGET	41	44	45	42	42	44	45	44	42	45	46	40	520	5.1%
Variance Budget v Estimate	9	18	4	-	1	1	9	(7)	-	(13)	4	(1)	25	-95.2%
Variance percent	22.0%	40.9%	8.9%	0.0%	2.4%	2.3%	20.0%	-15.9%	0.0%	-28.9%	8.7%	-2.5%	4.8%	
FHC/RHC Combined														
FY 03/04	1,103	1,073	1,115	943	981	1,134	1,078	1,004	1,261	1,131	1,067	1,021	12,911	-2.8%
FY 04/05	1,027	1,143	1,120	923	1,022	1,061	1,138	1,158	1,367	1,221	1,167	1,194	13,541	4.9%
FY 05/06	852	900	885	891	1,090	1,143	1,146	1,034	1,021	958	1,098	1,039	12,057	-11.0%
FY 06/07	880	1,110	843	872	837	822	1,063	983	820	815	902	797	10,744	-10.9%
FY 07/08	824	1,059	815	970	1,016	871	977	995	916	962	962	966	11,333	5.5%
FY 08/09	981	1,027	981	986	845	653	873	798	923	967	832	766	10,632	-6.2%
FY 09/10	839	826	666	1,005	827	924	820	957	1,035	957	909	1,089	10,854	2.1%
FY 10/11 ESTIMATE	945	1,208	1,189	1,097	1,140	1,153	1,354	1,366	1,366	1,213	1,234	1,180	14,445	33.1%
FY 11/12 BUDGET	1,136	1,275	1,212	1,152	1,190	1,203	1,320	1,299	1,330	1,265	1,179	1,139	14,700	1.8%
Variance Budget v Estimate	191	67	23	55	50	50	(34)	(67)	(36)	52	(55)	(41)	255	-98.3%
Variance percent	16.8%	5.3%	1.9%	4.8%	4.2%	4.2%	-2.6%	-5.2%	-2.7%	4.1%	-4.7%	-3.6%	1.7%	
FHC Medical Visits														
FY 03/04	1,103	1,073	1,115	943	981	1,134	1,078	1,004	1,261	1,131	1,067	1,021	12,911	-2.8%
FY 04/05	1,027	1,143	1,120	923	1,022	1,061	1,138	1,158	1,367	1,221	1,167	1,194	13,541	-0.3%
FY 05/06	446	583	474	728	881	792	880	924	924	914	1,023	947	9,516	-26.1%
FY 06/07	814	1,040	759	808	609	594	782	599	530	549	574	456	8,114	-14.7%
FY 07/08	419	553	470	688	602	522	595	591	545	557	554	576	6,672	-17.8%
FY 08/09	680	765	738	764	644	458	638	560	651	684	832	766	8,180	22.6%
FY 09/10	581	580	598	717	548	615	508	632	736	658	611	746	7,530	-7.9%
FY 10/11 ESTIMATE	634	734	748	684	762	755	889	905	836	801	828	727	9,303	23.5%
FY 11/12 BUDGET	725	830	763	782	773	754	849	811	859	830	811	743	9,530	2.4%
Variance Budget v Estimate	91	96	15	98	11	(1)	(40)	(94)	23	29	(17)	16	227	-97.6%
Variance percent	12.6%	11.6%	2.0%	12.5%	1.4%	-0.1%	-4.7%	-11.6%	2.7%	3.5%	-2.1%	2.2%	2.4%	

**Bear Valley Community Healthcare District
Operating Indicators Trending History
Census Statistics**

Schedule 1

for the Fiscal Years Ending June 30, 2004 through 2012

	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	March	April	May	June	Total	YTD Variance
RHC Medical Visits														
FY 03/04	0	0	0	0	0	0	0	0	0	0	0	0	0	
FY 04/05	0	0	0	0	0	0	0	0	0	0	277	386	663	
FY 05/06	406	317	411	163	209	351	266	110	97	44	75	92	2,541	283.3%
FY 06/07	66	70	84	64	228	228	281	384	290	266	328	341	2,630	3.5%
FY 07/08	405	506	345	282	414	349	382	404	371	405	408	390	4,661	77.2%
FY 08/09	301	282	243	222	201	195	235	238	272	283	-	-	2,452	-47.4%
FY 09/10	258	232	27	218	243	261	270	264	240	231	252	279	2,775	13.2%
FY 10/11 ESTIMATE	242	427	367	330	315	331	395	365	446	332	336	376	4,262	53.6%
FY 11/12 BUDGET	367	406	376	273	354	376	401	389	380	342	295	311	4,270	0.2%
Variance Budget v Estimate	125	(21)	9	(57)	39	45	6	24	(66)	10	(41)	(65)	8	-99.8%
Variance percent	34.1%	-5.2%	2.4%	-20.9%	11.0%	12.0%	1.5%	6.2%	-17.4%	2.9%	-13.9%	-20.9%	0.2%	
RHC Dental Visits														
FY 08/09														
FY 09/10	-	14	41	70	36	48	42	61	59	68	46	64	549	0%
FY 10/11 ESTIMATE	69	47	74	83	63	67	70	96	84	80	70	77	880	60.3%
FY 11/12 BUDGET	44	39	73	97	63	73	70	99	91	93	73	85	900	2.3%
Variance Budget v Estimate	(25)	(8)	(1)	14	-	6	-	3	7	13	3	8	20	-97.8%
Variance percent	-56.8%	-20.5%	-1.4%	14.4%	0.0%	8.2%	0.0%	3.0%	7.7%	14.0%	4.1%	9.4%	2.2%	

Bear Valley Community Healthcare District
Operating Indicators Trending History
Ancillary Statistics

Schedule 2

for the Fiscal Years Ending June 30, 2004 through 2012

	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	March	April	May	June	Total	YTD Variance
LAB														
FY 03/04	3,114	3,187	3,226	2,965	2,526	3,082	3,598	2,790	3,355	3,238	3,196	3,330	37,607	29.8%
FY 04/05	3,768	3,619	3,605	3,113	2,921	3,164	3,248	3,006	3,370	3,373	3,317	3,323	39,827	5.9%
FY 05/06	3,082	3,745	3,459	3,088	3,337	3,456	3,718	3,456	3,823	3,314	3,469	3,552	41,499	4.2%
FY 06/07	3,828	3,475	3,144	2,886	3,444	3,359	3,655	3,102	3,438	2,941	3,434	3,324	40,030	-3.5%
FY 07/08	3,837	3,536	3,118	3,873	3,628	3,580	3,827	4,047	3,565	3,448	3,537	2,936	42,932	7.2%
FY 08/09	2,935	3,907	3,814	3,735	3,480	3,317	3,562	3,116	3,845	3,542	3,816	3,728	42,797	-0.3%
BY 09/10	4,228	3,640	3,839	3,470	3,617	3,368	3,279	3,304	4,090	3,469	3,930	4,157	44,391	3.7%
FY 10/11 ESTIMATE	3,889	4,325	3,894	3,959	3,556	4,087	4,309	4,037	4,202	3,666	3,741	3,524	47,189	6.3%
FY 11/12 BUDGET	3,998	4,189	3,951	3,856	3,713	3,903	4,236	3,856	4,189	3,856	3,998	3,855	47,600	0.9%
Variance Budget v Estimate	109	(136)	57	(103)	157	(184)	(73)	(181)	(13)	190	257	331	411	-99.1%
Variance percent	2.7%	-3.2%	1.4%	-2.7%	4.2%	-4.7%	-1.7%	-4.7%	-0.3%	4.9%	6.4%	8.6%	0.9%	
X-Ray														
FY 03/04	682	746	673	595	644	1,179	1,482	1,227	917	599	646	683	10,073	-0.2%
FY 04/05	673	778	628	550	728	1,267	1,090	1,003	946	679	648	677	9,667	-4.0%
FY 05/06	786	806	686	659	734	1,058	1,369	1,190	1,233	974	825	868	11,188	15.7%
FY 06/07	841	994	786	883	884	1,217	1,354	1,325	1,121	713	950	864	11,932	6.6%
FY 07/08	904	912	796	803	777	1,302	1,372	1,485	1,155	841	929	878	12,154	1.9%
FY 08/09	976	951	872	863	815	973	1,472	1,146	1,116	782	674	662	11,302	-7.0%
BY 09/10	814	674	625	635	670	969	1,079	992	933	687	607	621	9,306	-17.7%
FY 10/11 ESTIMATE	627	779	581	649	821	946	1,275	1,019	980	700	835	846	10,058	8.1%
FY 11/12 BUDGET	720	780	650	660	710	1,041	1,231	1,101	980	690	720	714	10,007	-0.5%
Variance Budget v Estimate	93	1	79	11	(111)	95	(44)	82	-	(10)	(115)	(132)	(51)	-100.5%
Variance percent	12.9%	0.1%	12.0%	1.7%	-15.6%	9.1%	-3.6%	7.4%	0.0%	-1.4%	-16.0%	-18.5%	-0.5%	
CT														
FY 03/04	70	85	74	69	70	141	182	158	84	72	104	111	1,220	30.2%
FY 04/05	110	125	111	70	130	200	195	139	175	163	128	139	1,685	38.1%
FY 05/06	149	145	150	145	159	186	248	221	245	185	164	183	2,180	29.4%
FY 06/07	185	178	161	159	184	259	245	260	214	163	156	176	2,340	7.3%
FY 07/08	232	225	177	157	184	277	273	311	291	178	254	229	2,788	19.1%
FY 08/09	274	294	237	222	232	265	374	244	299	235	231	185	3,092	10.9%
BY 09/10	258	241	247	207	177	319	342	270	323	268	213	207	3,072	-0.6%
FY 10/11 ESTIMATE	211	281	182	218	234	294	333	270	222	184	231	219	2,879	-6.3%
FY 11/12 BUDGET	228	246	201	192	222	301	343	298	286	219	234	231	3,001	4.2%
Variance Budget v Estimate	17	(35)	19	(26)	(12)	7	10	28	64	35	3	12	122	-95.9%
Variance percent	7.5%	-14.2%	9.5%	-13.5%	-5.4%	2.3%	2.9%	9.4%	22.4%	16.0%	1.3%	5.2%	4.1%	
Ultrasound														
FY 03/04	91	88	90	64	66	66	70	58	50	75	76	48	842	16.6%
FY 04/05	61	54	72	99	50	71	77	82	78	79	88	75	886	5.2%
FY 05/06	94	75	96	84	83	110	94	87	122	100	69	112	1,126	27.1%
FY 06/07	93	115	114	96	81	65	100	89	107	96	110	122	1,188	5.5%
FY 07/08	136	154	83	121	149	114	111	89	139	123	108	142	1,469	23.7%
FY 08/09	137	145	169	111	149	135	110	119	124	120	101	93	1,513	3.0%
BY 09/10	122	95	89	124	95	86	82	85	101	91	88	95	1,153	-23.8%
FY 10/11 ESTIMATE	102	126	116	95	112	112	158	117	143	129	116	127	1,453	26.0%
FY 11/12 BUDGET	118	125	123	111	115	111	119	106	126	119	109	118	1,400	-3.6%
Variance Budget v Estimate	16	(1)	7	16	3	(1)	(39)	(11)	(17)	(10)	(7)	(9)	(53)	-103.8%
Variance percent	13.6%	-0.8%	5.7%	14.4%	2.6%	-0.9%	-32.8%	-10.4%	-13.5%	-8.4%	-6.4%	-7.6%	-3.8%	
PT														
FY 03/04	286	371	332	289	224	240	247	197	205	307	274	208	3,180	-18.5%
FY 04/05	168	393	265	255	248	237	251	161	196	212	195	163	2,744	-13.7%
FY 05/06	229	151	162	217	200	247	223	228	291	194	157	268	2,567	-6.5%
FY 06/07	157	227	55	352	195	113	153	148	242	203	147	127	2,119	-17.5%
FY 07/08	138	123	108	2	89	89	297	147	184	272	307	228	1,982	-6.5%
FY 08/09	278	263	413	323	348	142	376	212	273	395	316	330	3,669	85.1%
BY 09/10	299	408	377	516	408	317	228	307	390	346	515	410	4,521	23.2%
FY 10/11 ESTIMATE	465	520	517	460	378	382	456	331	420	450	403	328	5,110	13.0%
FY 11/12 BUDGET	436	517	468	479	425	396	506	355	458	512	452	426	5,400	5.7%
Variance Budget v Estimate	(29)	(3)	(49)	19	47	(16)	50	24	38	62	49	98	290	-94.6%
Variance percent	-6.7%	-0.6%	-10.5%	4.0%	11.1%	-4.4%	9.9%	6.8%	8.3%	12.1%	10.8%	23.0%	5.4%	

Bear Valley Community Healthcare District
Operating Indicators Trending History
Ancillary Statistics

Schedule 2

for the Fiscal Years Ending June 30, 2004 through 2012

	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	March	April	May	June	Total	YTD Variance
RT														
FY 03/04	68	132	122	61	172	186	127	156	99	92	59	77	1,351	5.1%
FY 04/05	79	126	122	115	105	97	178	187	80	92	123	140	1,444	6.9%
FY 05/06	84	102	82	106	79	177	82	99	127	131	104	82	1,255	-13.1%
FY 06/07	166	93	74	98	104	115	114	129	164	112	167	142	1,478	17.8%
FY 07/08	166	122	103	152	119	109	209	94	128	104	105	96	1,507	2.0%
FY 08/09	109	87	75	168	82	103	100	117	145	109	122	89	1,306	-13.3%
BY 09/10	183	54	92	85	158	85	164	130	107	136	156	134	1,484	13.6%
FY 10/11 ESTIMATE	62	63	134	77	135	140	208	185	151	73	134	112	1,474	-0.7%
FY 11/12 BUDGET	109	107	106	115	118	136	149	142	132	106	120	109	1,451	-1.6%
Variance Budget v Estimate	47	44	(28)	38	(17)	(4)	(59)	(43)	(19)	33	(14)	(3)	(25)	-101.7%
Variance percent	43.1%	41.1%	-26.4%	33.0%	-14.4%	-2.9%	-39.6%	-30.3%	-14.4%	31.1%	-11.7%	-2.8%	-1.7%	
EKG														
FY 03/04	118	151	149	113	127	132	162	124	152	121	156	142	1,647	16.0%
FY 04/05	149	138	155	148	128	163	135	123	141	142	142	167	1,731	5.1%
FY 05/06	129	175	147	137	146	151	152	158	166	157	142	132	1,792	3.5%
FY 06/07	175	164	149	130	161	156	167	167	166	147	176	184	1,942	8.4%
FY 07/08	235	167	168	198	223	218	210	235	175	180	200	176	2,385	22.8%
FY 08/09	233	226	211	186	181	171	159	143	211	199	186	185	2,291	-3.9%
BY 09/10	195	164	179	165	203	173	156	166	182	190	223	187	2,183	-4.7%
FY 10/11 ESTIMATE	190	210	169	189	191	207	213	224	206	182	185	172	2,338	7.1%
FY 11/12 BUDGET	204	204	190	183	192	199	199	194	201	187	197	192	2,338	0.0%
Variance Budget v Estimate	14	(6)	21	(6)	1	(8)	(14)	(30)	(5)	5	12	20	4	-99.8%
Variance percent	6.9%	-2.9%	11.1%	-3.3%	0.5%	-4.0%	-7.0%	-15.5%	-2.5%	2.7%	6.1%	10.4%	0.2%	
Anesth.Mins.														
FY 03/04	2,001	2,589	2,298	2,435	2,436	2,708	4,972	2,554	3,133	2,389	2,723	2,272	32,510	316.8%
FY 04/05	2,131	1,323	1,735	1,981	1,826	1,825	2,205	2,795	1,138	2,175	1,405	2,022	22,561	-30.6%
FY 05/06	1,490	2,189	2,458	813	1,382	1,830	1,629	2,133	2,855	2,363	1,583	2,328	23,053	2.2%
FY 06/07	2,595	2,237	2,025	1,441	1,479	2,659	2,743	2,154	2,519	1,637	1,649	2,294	25,432	10.3%
FY 07/08	2,026	2,014	1,884	1,473	1,890	2,884	3,633	2,095	2,050	1,381	1,697	1,248	24,275	-4.5%
FY 08/09	1,787	1,917	1,874	3,032	1,685	725	1,508	788	462	2,349	4,285	411	20,823	-14.2%
BY 09/10	997	869	1,166	1,565	1,292	1,364	1,175	1,668	566	815	2,022	2,151	15,650	-24.8%
FY 10/11 ESTIMATE	2,040	1,397	2,393	1,700	2,578	2,483	1,976	2,371	3,866	3,250	2,488	2,339	28,881	84.5%
FY 11/12 BUDGET	2,391	2,330	2,512	2,209	2,270	2,572	3,177	2,542	2,723	2,663	2,693	2,210	30,339	5.0%
Variance Budget v Estimate	351	933	119	509	(308)	89	1,201	171	(1,143)	(587)	205	(129)	1,411	-95.3%
Variance percent	14.7%	40.0%	4.7%	23.0%	-13.6%	3.5%	37.8%	6.7%	-42.0%	-22.0%	7.6%	-5.8%	4.7%	

Audited Financial Statements
BEAR VALLEY COMMUNITY
HEALTHCARE DISTRICT

June 30, 2010

TCA Partners, LLP
Certified Public Accountants

DRAFT

BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT

Audited Financial Statements

June 30, 2010

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DRAFT

TCA Partners, LLP

Certified Public Accountants

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Report of Independent Auditors

The Board of Directors
Bear Valley Community Healthcare District
Big Bear Lake, California

We have audited the accompanying balance sheets of Bear Valley Community Healthcare District (the District) as of June 30, 2010 and 2009, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital'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 audits 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bear Valley Community Healthcare District at June 30, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

TCA Partners, LLP

September 30, 2010

BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT

Management's Discussion and Analysis

June 30, 2010

The administration of the Bear Valley Community Healthcare District (District) prepared the following Management Discussion and Analysis of the financial performance of the District for the Fiscal Year Ended June 30, 2010 to accompany the financial statements prepared in accordance with the Governmental Accounting Standards Board Statement Numbers 34, 37 and 38. This discussion and the associated schedules are intended to provide an analysis, explanation, and historical basis of comparison for the reporting of financial results of the District for the Fiscal Year Ended June 30, 2010. The audited financial statements included herewith have been prepared and submitted with an unqualified opinion from the District's independent auditor.

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BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT

Balance Sheets

	June 30	
	<u>2010</u>	<u>2009</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 436,973	\$ 270,122
Patient accounts receivable, net of allowances	2,119,209	1,824,703
Other receivables and physician advances	128,513	42,755
Estimated third party payor settlements	-0-	174,754
Supplies	458,335	402,708
Prepaid expenses and deposits	<u>82,067</u>	<u>84,291</u>
Total current assets	3,225,097	2,799,333
Assets limited as to use	12,225,572	10,771,637
Capital assets, net of accumulated depreciation	<u>3,360,679</u>	<u>3,563,403</u>
Total assets	<u>\$ 18,811,348</u>	<u>\$ 17,134,373</u>
Liabilities and Net Assets		
Current liabilities:		
Current portion of long-term debt	\$ 27,630	\$ 28,238
Accounts payable and accrued expenses	629,707	435,767
Accrued payroll and related liabilities	705,374	644,619
Estimated third party payor settlements	<u>114,598</u>	<u>-0-</u>
Total current liabilities	1,477,309	1,108,624
Long-term debt, less current portion	<u>611,929</u>	<u>495,640</u>
Total liabilities	2,089,238	1,604,264
Net assets:		
Invested in capital assets, net of related debt	2,721,120	3,039,525
Unrestricted	<u>14,000,990</u>	<u>12,490,584</u>
Total net assets	<u>16,722,110</u>	<u>15,530,109</u>
Total liabilities and net assets	<u>\$ 18,811,348</u>	<u>\$ 17,134,373</u>

See accompanying notes to the financial statements

BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT

Statements of Revenues, Expenses and Changes in Net Assets

	Year Ended June 30	
	<u>2010</u>	<u>2009</u>
Operating revenues		
Net patient service revenue	\$ 18,115,839	\$ 16,510,694
Other operating revenue	<u>114,105</u>	<u>108,991</u>
Total operating revenues	18,229,944	16,619,685
Operating expenses		
Salaries and wages	8,114,577	7,578,619
Employee benefits	1,677,119	1,469,954
Professional fees	1,907,262	1,748,844
Purchased services	1,279,134	1,051,723
Supplies	1,637,245	1,619,689
Repairs and maintenance	271,480	269,938
Utilities	409,930	377,965
Rentals and leases	168,487	163,418
Depreciation and amortization	625,802	652,495
Provision for bad debts	3,007,089	2,382,509
Insurance	164,647	178,631
Other operating expenses	<u>307,641</u>	<u>422,656</u>
Total operating expenses	<u>19,570,413</u>	<u>17,916,441</u>
Operating income (loss)	(1,340,469)	(1,296,756)
Non-operating revenues (expenses)		
District tax revenues	2,190,242	2,256,882
Non-capital grant revenues	291,232	379,915
Investment income	95,072	237,882
Interest expense	<u>(44,076)</u>	<u>(30,884)</u>
Total non-operating revenues (expenses)	<u>2,532,470</u>	<u>2,843,795</u>
Excess of revenues over expenses	<u>\$ 1,192,001</u>	<u>\$ 1,547,039</u>
Change in net assets		
Net assets at beginning of the year	\$ 15,530,109	\$ 13,983,070
Increase (decrease) in net assets	<u>1,192,001</u>	<u>1,547,039</u>
Net assets at end of the year	<u>\$ 16,722,110</u>	<u>\$ 15,530,109</u>

See accompanying notes to the financial statements

BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT

Statements of Cash Flows

	Year Ended June 30	
	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Cash received from patients and third-parties on behalf of patients	\$ 15,103,596	\$ 13,766,041
Cash received from operations, other than patient services	28,347	97,751
Cash payments to suppliers and contractors	(6,005,289)	(5,834,642)
Cash payments to employees and benefit programs	(9,730,941)	(9,071,643)
Net cash used in operating activities	(604,287)	(1,042,493)
Cash flows from non-capital financing activities:		
District tax revenues	2,190,242	2,256,882
Non-capital grant revenues	291,232	379,915
Net cash provided by non-capital financing activities	2,481,474	2,636,797
Cash flows from capital and related financing activities:		
Capital grants and contributions		
Purchase of capital assets	(423,078)	(714,688)
Proceeds from new debt	134,376	184,715
Principal payments	(18,695)	(13,248)
Interest payments	(44,076)	(30,884)
Net cash used in capital and related financing activities	(351,473)	(574,105)
Cash flows from investing activities:		
Net change in assets limited as to use	(1,453,935)	(1,525,144)
Interest and dividends received from investments	95,072	237,882
Net cash used in investing activities	(1,358,863)	(1,287,262)
Net increase (decrease) in cash and cash equivalents	166,851	(267,063)
Cash and cash equivalents at beginning of year	270,122	537,185
Cash and cash equivalents at end of year	<u>\$ 436,973</u>	<u>\$ 270,122</u>

See accompanying notes to the financial statements

BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT

Statements of Cash Flows (continued)

	Year Ended June 30	
	<u>2010</u>	<u>2009</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating loss	\$ (1,340,469)	\$ (1,296,756)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization of other assets	625,802	652,495
Changes in operating assets and liabilities:		
Patient accounts receivables	(294,506)	(172,390)
Other receivables	(85,758)	(11,240)
Supplies	(55,627)	41,791
Prepaid expenses and deposits	2,224	6,849
Accounts payable and accrued expenses	193,940	(50,418)
Accrued payroll and related liabilities	60,755	(23,070)
Estimated third party payor settlements	<u>289,352</u>	<u>(189,754)</u>
Net cash used in operating activities	<u>\$ (604,287)</u>	<u>\$ (1,042,493)</u>

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See accompanying notes to the financial statements

BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT

Notes to Financial Statements

June 30, 2010

NOTE 1 - ORGANIZATION AND ACCOUNTING POLICIES

Reporting Entity: Bear Valley Community Health Care District (the District) is a public entity organized under Local Hospital District Law as set forth in the Health and Safety Code of the State of California. The District operates a hospital, Bear Valley Community Hospital (the Hospital), for the community of Big Bear Lake and the surrounding area. The accompanying financial statements include all of the aforementioned operating entities of the District. The Hospital is a 30-bed facility that provides general acute and skilled nursing care. As a political subdivision of the State of California, the District is generally not subject to federal or state income taxes.

Basis of Preparation: The accounting policies and financial statements of the District generally conform with the recommendations of the audit and accounting guide, *Health Care Organizations*, published by the American Institute of Certified Public Accountants. The financial statements are presented in accordance with the pronouncements of the Governmental Accounting Standards Board (GASB). For purposes of presentation, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operational revenues and expenses.

The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on GASB Statement Number 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the District has elected to apply the provisions of all relevant pronouncements as the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Financial Statement Presentation: The District has adopted the provisions of GASB 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (Statement 34), as amended by GASB 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and Statement 38, *Certain Financial Statement Note Disclosures*. Statement 34 established financial reporting standards for all state and local governments and related entities. Statement 34 primarily relates to presentation and disclosure requirements.

Management's Discussion and Analysis: Statement 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the District's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis provided in the annual reports of organizations in the private sector.

BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT

Notes to Financial Statements

June 30, 2010

NOTE 1 - ORGANIZATION AND ACCOUNTING POLICIES (continued)

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents and Investments: The District considers cash and cash equivalents to include certain investments in highly liquid debt instruments, when present, with an original maturity of a short-term nature or subject to withdrawal upon request. Exceptions are for those investments which are intended to be continuously invested. Investments in debt securities are reported at market value. Interest, dividends and both unrealized and realized gains and losses on investments are included as investment income in non-operating revenues when earned.

Patient Accounts Receivable: Patient accounts receivable consist of amounts owed by various governmental agencies, insurance companies and private patients. The District manages its receivables by regularly reviewing the accounts, inquiring with respective payors as to collectibility and providing for allowances on their accounting records for estimated contractual adjustments and uncollectible accounts. Significant concentrations of patient accounts receivable are discussed further in the footnotes.

Supplies: Inventories are consistently reported from year to year at cost determined by average costs and replacement values which are not in excess of market. The District does not maintain levels of inventory values such as those under a first-in, first out or last-in, first out method.

Assets Limited as to Use: Assets limited as to use include amounts designated by the Board of Directors for replacement or purchases of capital assets and other specific purposes. Assets limited as to use consist primarily of deposits on hand with banking and investment institutions.

Capital Assets: Capital assets consist of property and equipment and are reported on the basis of cost, or in the case of donated items, on the basis of fair market value at the date of donation. Routine maintenance and repairs are charged to expense as incurred. Expenditures which increase values, change capacities, or extend useful lives are capitalized. Depreciation of property and equipment and amortization of property under capital leases are computed by the straight-line method for both financial reporting and cost reimbursement purposes over the estimated useful lives of the assets, which range from 10 to 30 years for buildings and improvements, and 3 to 10 years for equipment. The District periodically reviews its capital assets for value impairment. As of June 30, 2010 and 2009, the District has determined that no capital assets are impaired.

BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT

Notes to Financial Statements

June 30, 2010

NOTE 1 - ORGANIZATION AND ACCOUNTING POLICIES (continued)

Compensated Absences: The District's employees earn paid time off ("PTO") benefits at varying rates, depending on the employee's years of service. This PTO benefit can accumulate up to specified maximum levels. Employees may use their accumulated PTO for vacation, holidays and sick leave. Accumulated PTO benefits are paid to an employee upon either termination or retirement. Accrued PTO liabilities as of June 30, 2010 and 2009 are \$507,458 and \$436,630, respectively.

Risk Management: The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and medical malpractice. Commercial insurance coverage is purchased for claims arising from such matters.

Net Assets: Net assets are presented in three categories. The first category is net assets "invested in capital assets, net of related debt". This category of net assets consists of capital assets (both restricted and unrestricted), net of accumulated depreciation and reduced by the outstanding principal balances of any debt borrowings that were attributable to the acquisition, construction, or improvement of those capital assets.

The second category is "restricted" net assets. This category consists of externally designated constraints placed on those net assets by creditors (such as through debt covenants), grantors, contributors, law or regulations of other governments or government agencies, or law or constitutional provisions or enabling legislation.

The third category is "unrestricted" net assets. This category consists of net assets that do not meet the definition or criteria of the previous two categories.

Net Patient Service Revenues: Net patient service revenues are reported in the period at the estimated net realized amounts from patients, third-party payors and others including estimated retroactive adjustments under reimbursement agreements with third-party programs. Normal estimation differences between final reimbursement and amounts accrued in previous years are reported as adjustments of current year's net patient service revenues.

Charity Care: The District accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the District. Essentially, these policies define charity services as those services for which no payment is anticipated. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenues. Services provided are recorded as gross patient service revenues and then written off entirely as an adjustment to net patient service revenues.

BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT

Notes to Financial Statements

June 30, 2010

NOTE 1 - ORGANIZATION AND ACCOUNTING POLICIES (continued)

Grants and Contributions: From time to time, the District receives grants from various governmental agencies and private organizations. The District also receives contributions from related foundation and auxiliary organizations, as well as from individuals and other private organizations. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or capital acquisitions. These amounts, when recognized upon meeting all requirements, are reported as components of the statement of revenues, expenses and changes in net assets.

Operating Revenues and Expenses: The District's statement of revenues, expenses and changes in net assets distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, which is the District's principal activity. Operating expenses are all expenses incurred to provide health care services, other than financing costs. Non-operating revenues and expenses are those transactions not considered directly linked to providing health care services.

Reclassifications: Certain financial statement amounts as presented in the prior year financial statements have been reclassified in these, the current year financial statements, in order to conform to the current year financial statement presentation.

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS

As of June 30, 2010 and 2009, the District had deposits invested in various financial institutions in the form of cash and cash equivalents amounting to \$12,662,545 and \$11,041,759. All of these funds were held in deposits, which are collateralized in accordance with the California Government Code (CGC), except for \$250,000 per account that is federally insured.

Under the provisions of the CGC, California banks and savings and loan associations are required to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the District's deposits. California law also allows financial institutions to secure Hospital deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total deposits. The pledged securities are held by the pledging financial institution's trust department in the name of the District.

Investments consist of U.S. Government securities and state and local agency funds invested in U. S. Government securities and are stated at quoted market values. Changes in market value between years are reflected as a component of investment income in the accompanying statement of revenues, expenses and changes in net assets.

BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT

Notes to Financial Statements

June 30, 2010

NOTE 3 - NET PATIENT SERVICE REVENUES AND REIMBURSEMENT PROGRAMS

The District renders services to patients under contractual arrangements with the Medicare and Medi-Cal programs, health maintenance organizations (HMOs) and preferred provider organizations (PPOs). Patient service revenues from these programs approximate 84% of gross patient service revenues.

The Medicare Program reimburses the District on a prospective payment system for inpatient hospital services. The prospective rates are predetermined amounts based on the Medicare inpatient discharge diagnosis including capital. Skilled nursing services are reimbursed on a program similar in nature to the inpatient services.

The District contracts to provide services to Medi-Cal, HMO and PPO inpatients on negotiated rates. Certain outpatient reimbursement is subject to a schedule of maximum allowable charges for Medi-Cal and to a percentage discount for HMOs and PPOs. The skilled nursing facility (SNF) is reimbursed by the Medi-Cal program on a prospective per diem basis subject to audit by the state. The results of the state audits are incorporated prospectively and are subject to appeal by the provider.

Both the Medicare and Medi-Cal program's administrative procedures preclude final determination of amounts due to the District for services to program patients until after patients' medical records are reviewed and cost reports are audited or otherwise reviewed by and settled with the respective administrative agencies. The Medicare and Medi-Cal cost reports are subject to audit and possible adjustment. Management is of the opinion that no significant adverse adjustment to the recorded settlement amounts will be required upon final settlement.

Medicare and Medi-Cal revenue accounts for approximately 50% of the District's net patient revenues for each year. Laws and regulations governing the Medicare and Medi-Cal programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

NOTE 4 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The District uses certain methods and assumptions in estimating its fair value disclosures for financial instruments. For cash and cash equivalents, the District uses the carrying amounts which approximate fair value due to the short maturity of any financial instrument considered as a cash equivalent.

BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT

Notes to Financial Statements

June 30, 2010

NOTE 5 - CONCENTRATION OF CREDIT RISK

The District grants credit without collateral to its patients and third-party payors. Patient accounts receivable from government agencies represent the only concentrated group of credit risk for the District and management does not believe that there is any credit risk associated with these governmental agencies. Contracted and other patient accounts receivable consist of various payors including individuals involved in diverse activities, subject to differing economic conditions and do not represent any concentrated credit risks to the District. Concentration of patient accounts receivable at June 30, 2010 and 2009 were as follows:

	<u>2010</u>	<u>2009</u>
Medicare	\$ 854,190	\$ 613,070
Medi-Cal and Medi-Cal pending	1,101,355	1,029,1076
Other third party payors	867,796	952,816
Self pay and other	<u>1,111,855</u>	<u>819,716</u>
Gross patient accounts receivable	3,935,196	3,414,709
Less allowances for contractual adjustments and bad debts	<u>(1,815,987)</u>	<u>(1,590,006)</u>
Net patient accounts receivable	<u>\$ 2,119,209</u>	<u>\$ 1,824,703</u>

NOTE 6 - ASSETS LIMITED AS TO USE

Assets limited as to use as of June 30, 2010 and 2009 were comprised of cash designated by the board for specific purposes. Interest income, dividends, and both realized and unrealized gains and losses on investments are recorded as investment income. These amounts were \$95,072 and \$237,882 for the years ended June 30, 2010 and 2009, respectively. Total investment income includes both income from operating cash and cash equivalents and cash and cash equivalents related to assets limited as to use. Debt securities, when present, are recorded at market price or the fair market value as of the date of each balance sheet.

BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT

Notes to Financial Statements

June 30, 2010

NOTE 7 - CAPITAL ASSETS

Capital assets as of June 30, 2010 and 2009 were comprised of the following:

	<u>Balance at June 30, 2009</u>	<u>Transfers & Additions</u>	<u>Transfers & Retirements</u>	<u>Balance at June 30, 2010</u>
Land and land improvements	\$ 271,460	\$ -0-	\$ -0-	\$ 271,460
Buildings and improvements	4,237,210	375,720	-0-	4,612,930
Equipment	5,876,509	329,330	(52,365)	6,153,474
Construction-in-progress	<u>360,363</u>	<u>-0-</u>	<u>(281,972)</u>	<u>78,391</u>
Totals at historical cost	10,745,542	<u>\$ 705,050</u>	<u>\$ (334,337)</u>	11,116,255
Less accumulated depreciation	<u>(7,182,139)</u>	<u>\$ (625,802)</u>	<u>\$ 52,365</u>	<u>(7,755,576)</u>
Capital assets, net	<u>\$ 3,563,403</u>			<u>\$ 3,360,679</u>
	<u>Balance at June 30, 2008</u>	<u>Transfers & Additions</u>	<u>Transfers & Retirements</u>	<u>Balance at June 30, 2009</u>
Land and land improvements	\$ 271,460	\$ -0-	\$ -0-	\$ 271,460
Buildings and improvements	3,978,395	258,815	-0-	4,237,210
Equipment	5,555,045	321,464	-0-	5,876,509
Construction-in-progress	<u>225,954</u>	<u>134,409</u>	<u>-0-</u>	<u>360,363</u>
Totals at historical cost	10,030,854	<u>\$ 714,688</u>	<u>\$ -0-</u>	10,745,542
Less accumulated depreciation	<u>(6,529,644)</u>	<u>\$ (652,495)</u>	<u>\$ -0-</u>	<u>(7,182,139)</u>
Capital assets, net	<u>\$ 3,501,210</u>			<u>\$ 3,563,403</u>

BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT

Notes to Financial Statements

June 30, 2010

NOTE 8 – LONG-TERM DEBT

Long-term debt at June 30, 2010 and 2009 consists of the following:

	<u>2010</u>	<u>2009</u>
Note payable to a bank, original amount of \$546,500, maturing in September 2022, interest rate at 7.25%, payable monthly in principal and interest payments of \$4,350, secured by property.	\$ 639,559	\$ 523,878
Total debt borrowings	639,559	523,878
Less current portion	<u>(27,630)</u>	<u>(28,238)</u>
	<u>\$ 611,929</u>	<u>\$ 495,640</u>

Future principal maturities for debt borrowings for the succeeding years are: \$27,630 in 2011; \$29,554 in 2012; \$31,612 in 2013; \$33,813 in 2014; \$36,167 in 2015; and \$480,783 thereafter.

NOTE 9 - RETIREMENT PLANS

The District has a defined contribution retirement plan covering substantially all of the District's employees. In a defined contribution retirement plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The District contributes to the plan at a rate of two to four percent of eligible compensation, based on the length of the employee's service as defined by the plan. The District's contributions become fully vested after three years of continuous service. The District's pension expense for the plan was approximately \$112,000 and \$96,000 during the years ended June 30, 2010 and 2009, respectively.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Construction-in-Progress: As of June 30, 2010 and 2009, the District had recorded \$78,391 and \$360,363, respectively, as construction-in-progress representing cost capitalized for various remodeling, major repair, and expansion projects on the District's premises. No interest was capitalized under FAS 62 during the years ended June 30, 2010 and 2009. The estimated cost to complete these projects as of June 30, 2010 is approximately \$50,000. Costs are to be financed through the continued Hospital operations during the next fiscal year.

BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT

Notes to Financial Statements

June 30, 2010

NOTE 10 - COMMITMENTS AND CONTINGENCIES (continued)

Operating Leases: The District has operating leases for office space and various medical and office equipment. Rental expense under operating leases was \$168,487 and \$163,418 for the years ended June 30, 2010 and 2009, respectively. Future minimum lease payments for the succeeding years under operating leases with a remaining term in excess of one year as of June 30, 2010 are not considered material.

Litigation: The District may from time-to-time be involved in litigation and regulatory investigations which arise in the normal course of doing business. After consultation with legal counsel, management estimates that matters existing as of June 30, 2010 will be resolved without material adverse effect on the District's future financial position, results from operations or cash flows.

Workers Compensation Program: The District is a participant in the Association of California Hospital District's ALPHA Fund which administers a self-insured worker's compensation plan for participating hospital employees of its member hospitals. The District pays premiums to the ALPHA Fund which is adjusted annually. If participation in the ALPHA Fund is terminated by the District, the District would be liable for its share of any additional premiums necessary for final disposition of all claims and losses covered by the ALPHA Fund

Health Insurance Portability and Accountability Act: The Health Insurance Portability and Accountability Act (HIPAA) was enacted August 21, 1996, to ensure health insurance portability, reduce health care fraud and abuse, guarantee security and privacy of health information, and enforce standards for health information. Organizations are subject to significant fines and penalties if found not to be compliant with the provisions outlined in the regulations. Management continues to evaluate the impact of this legislation on its operations including future financial commitments that will be required.

Health Care Reform: The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medi-Cal fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the District is in compliance with fraud and abuse as well as other applicable government laws and regulations. While no material regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT

Notes to Financial Statements

June 30, 2010

NOTE 11 - FAIR VALUE OF ASSETS AND LIABILITIES

The Hospital adopted Statement of Financial Accounting standards No. 157, *Fair Value Measurements* (FAS 157). FAS 157 fair value establishes a framework for measuring fair value and expands disclosures about fair value measurements. FAS 157 defines fair value as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. FAS 157 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities;

Level 3: Unobservable inputs for the assets or liabilities that are supported by little or no market activity and that are significant to the fair value of the underlying assets or liabilities.

The following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the Hospital's balance sheets, as well as the classification pursuant to the valuation hierarchy.

Financial Instruments: Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. Level 1 instruments include a variety of financial instruments as listed below. There are no Level 2 or Level 3 types within the balance sheet of the Hospital. The following table summarizes the financial instruments measured at fair value on a recurring basis in accordance with FAS 157 as of June 30, 2010:

	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Government investment funds	\$ 11,269,876	\$ 11,269,876	\$ -0-	\$ -0-
Certificates of deposit	<u>955,696</u>	<u>-0-</u>	<u>955,696</u>	<u>-0-</u>
Totals of financial instruments	<u>\$ 12,225,572</u>	<u>\$ 11,269,876</u>	<u>\$ 955,696</u>	<u>\$ -0-</u>