Hocking Valley Community Hospital
(A Component Unit of Hocking County, State of Ohio)

Financial Report
December 31, 2012 and 2011

Dave Yost • Auditor of State

Board of Trustees
Hocking Valley Community Hospital
601 State Route 664
P. O. Box 966
Logan, Ohio 43138

We have reviewed the *Independent Auditor's Report* of the Hocking Valley Community Hospital, Hocking County, prepared by McGladrey LLP, for the audit period January 1, 2012 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Hocking Valley Community Hospital is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

May 30, 2013

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McGladrey

Independent Auditor's Report

To the Board of Trustees
Hocking Valley Community Hospital
Logan, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Hocking Valley Community Hospital (the Hospital), a component unit of Hocking County, Ohio, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the basic financial statements of Hocking Valley Community Hospital, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Summary of Opinions

Opinion Unit	Type of Opinion
Business-Type Activities	Unmodified
Discretely Presented Component Unit	Adverse

Basis for Adverse Opinion on Discretely Presented Component Unit

The financial statements do not include financial data for the Hospital's legally separate component unit the Hocking Valley Community Hospital Memorial Fund, Inc. However, Footnote 12 contains unaudited condensed financial information for the Hocking Valley Community Hospital Memorial Fund, Inc. Accounting principles generally accepted in the United States of America require the financial data for this component unit be reported with the financial data of the primary government unless the Hospital also issues financial statements for the financial reporting entity that include the financial data for its component unit. The Hospital has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net position, revenues, and expenses of this discretely presented component unit as of and for the year ended December 31, 2012, would have been presented as $2,088,129; $0; $2,088,129; $262,193; and $84,033, respectively.

Adverse Opinion

In our opinion, because of the omission of the discretely presented component unit, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the discretely presented component unit of Hocking Valley Community Hospital, as of December 31, 2012, or the changes in financial position thereof for the year then ended.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Hocking Valley Community Hospital, as of December 31, 2012, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Auditors

The financial statements of the Hospital as of and for the year ended December 31, 2011, were audited by other auditors whose report dated April 12, 2012 expressed an adverse opinion on the financial statements of the discretely presented component unit, and an unqualified opinion on the financial statements of the business-type activities. The other auditors expressed an adverse opinion on the financial statements of the discretely presented component unit because those financial statements were omitted from the financial reporting entity. Footnote 12 contains unaudited comparative condensed financial information for the Hocking Valley Community Hospital Memorial Fund, Inc. The assets, liabilities, net position, revenues and expenses of this discretely presented component unit as of and for the year ended December 31, 2011, would have been presented as $1,909,969; $0; $1,909,969; $223,901; and $153,756, respectively.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4-8 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 inquiries 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 any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2013 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

McGladrey LLP

Cleveland, Ohio
April 25, 2013

Management's Discussion and Analysis

The discussion and analysis of Hocking Valley Community Hospital's (the Hospital's) financial performance provides an overview of the Hospital's financial activities for the fiscal years ended December 31, 2012 and 2011. Please read it in conjunction with the Hospital's financial statements, which begin on page 9. Unless otherwise indicated, amounts are in thousands.

Financial Highlights

- The Hospital's net position decreased in 2012 by $3,540, or 27.8% and increased in 2011 by $234, or 1.9%.
- The Hospital reported an operating loss of $1,369 and an operating gain of $2,037 in 2012 and 2011, respectively.
- Total revenues decreased from 2011 to 2012 by $1,956, or 5.8%.
- The Hospital expended $2,474 in 2012 and $1,967 in 2011 in support of Hocking Valley Medical Group, Inc.
- The Hospital had a deficit of revenues over expenses of $3,540 in 2012 and an excess of $46 in 2011.
- The Hospital made significant capital additions in 2012 totaling $1,841, of which $660 was funded from operations and $1,181 was financed through long-term debt and capital lease obligations.

Using This Annual Report

The Hospital's financial statements consist of three statements – a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net position; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the Hospital.

Statement of Net Position and Statement of Revenues and Expenses and Changes in Net Position

The analysis of the Hospital finances begins on page 5. One of the most important questions asked about the Hospital's finances is, "Is the Hospital as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues and Expenses and Changes in Net Position report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Hospital's net position and related changes. You can think of the Hospital's net position – the difference between assets and liabilities – as one way to measure the Hospital's financial health or financial position. Over time, increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Hospital's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Hospital.

Statement of Cash Flows

The final required statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, noncapital related financing and capital and related financing activities. It provides answers to such questions as "Where did cash come from?" "What was cash used for?" and "What was the change in cash balance during the reporting period?"

Net Position

The Hospital's net position is the difference between its assets and liabilities reported in the Statement of Net Position on page 9. The Hospital's net position decreased by $3,540, or 27.8% and increased by $234, or 1.9% in 2012 and 2011, respectively, as you can see from Table 1.

Table 1: Assets, Liabilities, and Net Position (in thousands)

	2012	2011	2010
Assets			
Current assets	$ 6,129	$ 7,746	$ 7,859
Capital assets, net	10,948	10,579	11,225
Restricted and limited use assets	330	330	330
Other noncurrent assets	23	30	90
Total assets	$ 17,430	$ 18,684	$ 19,504
Liabilities			
Current liabilities	$ 5,508	$ 3,499	$ 4,692
Long-term obligations	2,720	2,443	2,304
Total liabilities	8,228	5,943	6,996
Net position			
Unrestricted	603	4,377	4,121
Invested in capital assets, net of related debt	8,269	8,035	8,057
Restricted	330	330	330
Total net position	9,202	12,742	12,508
Total liabilities and net position	$ 17,430	$ 18,684	$ 19,504

A significant component of the Hospital's assets is capital assets. Capital assets increased by $369, or 3.5% in 2012 and decreased by $646, or 5.8% in 2011. Fixed assets acquired by the Hospital were $1,841 in 2012 and $894 in 2011. These additions were offset by depreciation of $1,469 and $1,541 in 2012 and 2011, respectively.

Operating Results and Changes in the Hospital's Net Position

Table 2: Change in revenues and expenses for 2012, 2011 and 2010

	2012	2011	2010
Revenues			
Net patient service revenue	$ 31,914	$ 33,870	$ 36,335
Other	296	296	227
Total operating revenue	32,210	34,166	36,562
Expenses			
Salaries and wages	13,965	13,821	14,029
Employee benefits	6,390	5,180	6,241
Supplies and other	6,965	7,028	7,103
Professional fees and services	4,646	4,303	4,056
Depreciation and amortization	1,476	1,574	1,693
Insurance	137	223	235
Total operating expenses	33,579	32,129	33,357
Operating income (loss)	(1,369)	2,037	3,205
Nonoperating revenues (expenses)	(2,171)	(1,991)	(2,414)
Capital grants and contributions	-	188	66
Change in net position	$ (3,540)	$ 234	$ 857

Net patient service revenue decreased $1,956, or 5.8% from 2011 to 2012. This decrease was primarily due to lower outpatient utilization of services overall as well as closing the skilled nursing unit during the fourth quarter of 2012.

Salaries and wages increased 1.0% from 2011 to 2012. Employee benefits experienced an increase of 23.4% from 2011 and 2012 due primarily to increase in employees' health benefits.

Professional fees increased 8.0% from 2011 to 2012, primarily due to entering into an agreement for hospitalist coverage.

Sources of Revenue

The Hospital derives substantially all of its revenue from patient services and other related activities. Revenue includes, among other items, revenue from the Medicare and Medicaid programs, patients, insurance carriers, preferred provider organizations, and managed care programs.

The table below presents the percentages of net revenue for patient services by payor, for the years ended December 31, 2012, 2011 and 2010, respectively.

	2012	2011	2010
Medicare	55%	51%	52%
Medicaid	9%	8%	8%
Self-Pay	1%	1%	1%
Commercial and other	35%	40%	39%
	100%	100%	100%

The Hospital provides care to patients under payment arrangements with Medicare, Medicaid, and various managed care programs. Services provided under those arrangements are paid at predetermined rates and/or reimbursable costs as defined by the related Federal and state regulations. Provisions have been made in the financial statements for contractual adjustments which represent the difference between the standard charges for services and the actual or estimated reimbursement.

Operating Income

The first component of the overall change in the Hospital's net position is its operating income. Generally, operating income is the difference between net patient service revenue and the expenses incurred to perform those services. The Hospital reported an operating loss of $1,369 and an operating gain of $2,037 in 2012 and 2011, respectively.

The decrease in the Hospital's total operating income in 2012 of $3,406, or 167.2% from 2011 is the result of a 5.8% decrease in net patient service revenue and a 4.5% increase in operating expenses. Expenses increased due to entering a contract agreement for hospitalist coverage, the state hospital assessment and employee health insurance benefits. The Hospital increased gross charge rates 3% in both 2012 and 2011.

The Hospital provides care for patients who have little or no health insurance or other means of repayment. This service to the community is consistent with the goals of the Hospital when it was established. Because there is no expectation of repayment, charity care is not reported as patient service revenues of the Hospital and represents unreimbursed charges incurred by the Hospital in providing uncompensated care to indigent patients. Based on established rates, charges of $3,379 and $3,885 were waived under the Hospital's charity care policy during 2012 and 2011, respectively.

Nonoperating Revenues (Expenses) and Capital Grants and Contributions

Nonoperating revenues (expenses) and capital grants and contributions increased as the result of changes in the Hospital's funding to the Hocking Valley Medical Group, Inc., interest expense, investment gain and donations. The Hospital's investment income resulted in a gain of $7 and $33 in 2012 and 2011, respectively. The Hospital received noncapital contributions of $260 in 2012 versus $46 in 2011. The Hospital provided funding to the Hocking Valley Medical Group, Inc. of $2,474 in 2012, an increase of $507 from the amount funded in 2011 of $1,967.

Cash Flows

Changes in the Hospital's cash flows are consistent with changes in operating gains and nonoperating gains and losses as discussed earlier. Non-cash expenses such as depreciation and bad debt expense represent primary reasons the net cash from operating activities is greater than the change in net position. The Hospital generated positive cash flows from operations in 2012 and 2011 of $2,128 and $4,210, respectively.

Capital Asset and Debt Administration

Capital assets

The Hospital had $10,948 and $10,579 invested in capital assets, net of accumulated depreciation in 2012 and 2011, respectively. The Hospital acquired or constructed capital assets in the amount of $1,841 and $894 during 2012 and 2011, respectively.

Debt

The Hospital had $2,680 and $2,544 in bonds and capital lease obligations outstanding at December 31, 2012 and 2011, respectively. Additionally, the Hospital has a line of credit with a local lending institution. The amount borrowed on the line of credit was $300 and $0 at December 31, 2012 and 2011, respectively.

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Vice President of Finance, 601 State Route 664, P.O. Box 966, Logan, OH 43138.

Hocking Valley Community Hospital
(A Component Unit of Hocking County, State of Ohio)

Statements of Net Position
December 31, 2012 and 2011

	2012	2011
Assets		
Current Assets:		
Cash and cash equivalents	$ 341,101	$ 860,920
Patient accounts receivable, net of estimated, uncollectibles of $1,016,000 in 2012 and $835,000 in 2011	4,611,143	5,185,631
Certificates of deposit	246,976	546,976
Investments	139,038	765,506
Inventories	304,862	302,097
Prepaid expenses and other assets	485,662	84,406
Total current assets	6,128,782	7,745,536
Noncurrent Assets:		
Restricted Assets:		
Under bond indenture agreement, cash	330,000	330,000
Capital Assets:		
Land and construction in progress	754,180	724,058
Buildings, land improvements and equipment, net	10,194,165	9,854,797
Capital assets, net	10,948,345	10,578,855
Deferred financing costs, net	22,754	29,718
Total assets	$ 17,429,881	$ 18,684,109

Hocking Valley Community Hospital
(A Component Unit of Hocking County, State of Ohio)

Statements of Net Position
December 31, 2012 and 2011

		2012		2011
Liabilities and Net Position				
Current Liabilities:				
Line of credit	**$**	**300,000**	$	-
Current portion of capital lease obligations		**484,388**		680,644
Current portion of long-term debt		**310,000**		228,500
Accounts payable and accrued expenses		**2,151,563**		565,754
Accrued payroll and related liabilities		**1,187,591**		1,015,547
Self-insurance liabilities		**330,377**		200,000
Estimated amounts due to third-party payors		**362,049**		394,072
Current portion of accrued vacation and sick leave		**381,993**		414,609
Total current liabilities		**5,507,961**		3,499,126
Noncurrent Liabilities, net of current portions:				
Accrued vacation and sick leave		**834,895**		808,459
Capital lease obligations		**649,106**		423,674
Long-term debt		**1,236,042**		1,211,270
Total noncurrent liabilities		**2,720,043**		2,443,403
Total liabilities		**8,228,004**		5,942,529
Net Position:				
Net investment in capital assets		**8,268,809**		8,034,767
Restricted for debt service		**330,000**		330,000
Unrestricted		**603,068**		4,376,813
Total net position		**9,201,877**		12,741,580
Total liabilities and net position	**$**	**17,429,881**	$	18,684,109

See Notes to Financial Statements.

Hocking Valley Community Hospital
(A Component Unit of Hocking County, State of Ohio)

Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2012 and 2011

	2012	2011
Operating revenues		
Net patient service revenue	$ 31,914,435	$ 33,869,790
Other operating revenue	295,557	295,629
Total operating revenues	32,209,992	34,165,419
Operating expenses		
Salaries and wages	13,964,798	13,820,544
Employee benefits	6,390,296	5,179,506
Supplies and other expenses	6,965,044	7,028,055
Professional fees and services	4,645,920	4,303,065
Depreciation and amortization	1,476,060	1,574,033
Insurance	136,849	222,936
Total operating expenses	33,578,967	32,128,139
Operating income (loss)	(1,368,975)	2,037,280
Nonoperating revenues (expenses)		
Funding to Hocking Valley Community Hospital Memorial Fund, Inc.	(2,474,000)	(1,966,900)
Net investment income	7,107	33,448
Interest expense	(145,810)	(158,483)
Gain on sale of capital assets	182,224	54,521
Noncapital grants and contributions	259,751	46,202
Total nonoperating revenues (expenses)	(2,170,728)	(1,991,212)
Excess (deficiency) of revenues over expenses before capital grants and contributions	(3,539,703)	46,068
Capital grants and contributions	-	187,962
Increase (decrease) in net position	(3,539,703)	234,030
Net position, beginning of year	12,741,580	12,507,550
Net position, end of year	$ 9,201,877	$ 12,741,580

See Notes to Financial Statements.

Hocking Valley Community Hospital
(A Component Unit of Hocking County, State of Ohio)

Statements of Cash Flows
Years Ended December 31, 2012 and 2011

	2012	2011
Cash Flows From Operating Activities		
Cash received from patients and third party payors	**$ 32,456,900**	$ 34,257,990
Cash paid to employees for wages and benefits	**(20,058,853)**	(18,995,895)
Cash paid to vendors for goods and services	**(10,566,025)**	(11,347,236)
Other receipts, net	**295,557**	295,629
Net cash provided by operating activities	**2,127,579**	4,210,488
Cash Flows From Noncapital Financing Activities		
Contributions	**259,751**	46,202
Borrowings on line of credit	**300,000**	-
Funding to Hocking Valley Community Hospital Memorial Fund, Inc.	**(2,474,000)**	(1,966,900)
Net cash (used in) noncapital financing activities	**(1,914,249)**	(1,920,698)
Cash Flows From Capital and Related Financing Activities		
Repayment of long-term debt	**(228,500)**	(252,000)
Repayment of capital lease obligations	**(821,959)**	(700,095)
Interest paid on long-term debt	**(141,040)**	(153,714)
Purchase of capital assets	**(660,123)**	(634,008)
Proceeds from the sale of capital assets	**184,898**	80,955
Capital grants and contributions	**-**	187,962
Net cash (used in) capital and related financing activities	**(1,666,724)**	(1,470,900)
Cash Flows From Investing Activities		
Investment income	**7,107**	33,448
Payments for investment purchases and reinvestments	**(632)**	(585,000)
Proceeds from investment sales and maturities	**927,100**	174,608
Net cash provided by (used in) investing activities	**933,575**	(376,944)
Net (decrease) increase in cash and cash equivalents	**(519,819)**	441,946
Cash and cash equivalents		
Beginning of year	**1,190,920**	748,974
End of year	**$ 671,101**	$ 1,190,920
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position:		
Cash and cash equivalents in current assets	**$ 341,101**	$ 860,920
Restricted cash	**330,000**	330,000
Total cash and cash equivalents	**$ 671,101**	$ 1,190,920

(Continued)

Hocking Valley Community Hospital
(A Component Unit of Hocking County, State of Ohio)

Statements of Cash Flows (Continued)
Years Ended December 31, 2012 and 2011

		2012		2011
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating income (loss)	**$**	**(1,368,975)**	$	2,037,280
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization		**1,476,060**		1,574,033
Provision for bad debts		**3,136,894**		3,190,513
Changes in:				
Patient accounts receivable		**(2,562,406)**		(3,066,385)
Inventories, prepaid expenses and other assets		**(404,021)**		868,112
Accounts payable and accrued expenses		**1,585,809**		(661,292)
Accrued payroll and related liabilities		**172,044**		114,918
Self-insurance liabilities		**130,377**		(125,000)
Estimated amounts due to third-party payors		**(32,023)**		264,072
Accrued vacation and sick leave		**(6,180)**		14,237
Net cash provided by operating activities	**$**	**2,127,579**	$	4,210,488
Supplemental Disclosure of Noncash Financing Activities				
Assets acquired under capital lease obligations	**$**	**851,135**	$	286,651
Assets acquired under long-term debt	**$**	**330,002**	$	-

See Notes to Financial Statements.

Note 1. Reporting Entity

Hocking Valley Community Hospital (the Hospital), located in Hocking County, Logan, Ohio, is organized as a county hospital under provisions of the general statutes of the State of Ohio requiring no specific articles of incorporation. The organization is exempt from Federal income taxes. The Board of Trustees, appointed by the county commissioners and the probate and common pleas court judges, is charged with the management and operation of the Hospital, its finances and staff. The Hospital is considered a component unit of Hocking County, Ohio and is included as a component unit in the basic financial statements of Hocking County.

The Hocking Valley Community Hospital Memorial Fund, Inc. (Foundation) is a legally separate not-for-profit corporation. The Foundation meets the criteria for reporting as a discretely presented component unit under GASB Statement 39 because the resources of the Foundation are almost entirely for the direct benefit of the Hospital, the Hospital has the ability to access those resources and the resources are significant to the Hospital. As further discussed in Note 12, the financial statements of the Foundation have not been presented in the Hospital's reporting entity as required under GAAP.

Note 2. Summary of Significant Accounting Policies

Basis of accounting: The Hospital reports a single business-type activity, which requires the following financial statements and management's discussion and analysis:

- Management's Discussion and Analysis
- Basic Financial Statements including a Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows, for the Hospital as a whole
- Notes to Financial Statements

The Hospital is accounted for as a proprietary fund (enterprise fund) using the flow of economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the Hospital's operations are included in the Statement of Net Position. Revenue is recognized in the period in which it is earned and expenses are recognized in the period in which incurred.

The Hospital's fiscal year is the calendar year. Pursuant to Ohio law, the Hospital submits a budget to the County for approval by November 1 of each year. The fundamental purpose of the budget is to plan for an expected level of operations and to provide management with a tool to control deviation from such a plan. The budget is prepared on an accrual basis.

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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Summary of Significant Accounting Policies (Continued)

Statement of Revenues, Expenses and Changes in Net Position: The Hospital recognizes as operating revenues those transactions that are major or central to the provision of health care services. Operating revenues include those revenues received for direct patient care, grants received from organizations as reimbursement for patient care, and other incidental revenue associated with patient care. Operating expenses include those costs associated with providing patient care including costs of professional care, operating the hospital facilities, administrative expenses, and depreciation and amortization. Nonoperating revenues include investment income and grants and contributions received for purposes other than capital asset acquisition. Nonoperating expenses include interest expense and expenses from funding to Hocking Valley Community Hospital Memorial Fund, Inc.

Cash and cash equivalents: Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less.

Patient accounts receivable: Patient accounts receivable are carried at the original charge less an estimate made for doubtful or uncollectible accounts and contractual allowances. Contractual allowances are recorded on the basis of preliminary estimates of the amounts to be received from third party payors. Final adjustments are recorded in the period such amounts are finally determined. The allowance is based upon a review of the outstanding balances aged by financial class. Management uses collection percentages based upon historical collection experience to determine collectability. Management also reviews troubled, aged accounts to determine collection potential. For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third–party coverage exists for part of the bill), the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is written off against the allowance for doubtful accounts. Recoveries of accounts previously written off are recorded as a reduction to bad debt expense when received. Interest is not charged on patient accounts receivable.

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

Capital assets: Capital assets are reported at historical cost. Contributed capital assets are recorded at their estimated fair value at the time of their donation. Expenditures for capital assets must exceed $1,000 in order for them to be capitalized. Expenditures that substantially increase the useful lives of existing assets are capitalized. Routine maintenance and repairs are expensed as incurred. All capital assets other than land are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using these asset lives:

Buildings and related improvements	10 to 40 years
Fixed equipment	10 to 20 years
Moveable equipment	3 to 20 years
Land improvements	10 to 20 years

Depreciation expense on capital leases is included in depreciation and amortization in the statements of revenues, expenses and changes in net position. The asset and accumulated depreciation are removed from the related accounts when the asset is disposed. Any income or loss resulting from this disposal is recorded in the statements of revenues, expenses and changes in net position.

Note 2. Summary of Significant Accounting Policies (Continued)

Deferred financing costs: Deferred financing costs consist primarily of underwriter fees and other costs related to the issuance of the bonds and are being amortized over the life of the bonds based on the straight-line method. Amortization expense for deferred financing costs was $6,964 in 2012 and 2011 and is included in depreciation and amortization expense in the statements of revenues, expenses and changes in net position. Accumulated amortization as of December 31, 2012 and 2011 was $91,758 and $84,794, respectively. Accounting guidance requires amounts to be amortized utilizing the effective interest method. The difference between the two amortization methods is immaterial to the financial statements.

Costs of borrowings: Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. None of the Hospital's interest cost was capitalized in either 2012 or 2011.

Grants and contributions: From time to time, the Hospital receives grants and contributions from governmental organizations, private individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Restricted resources: When the Hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital's policy to use restricted resources before unrestricted resources.

Net position: Net position of the Hospital is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted for debt service are noncapital net position that are set aside for bond repayment purposes, as specified by creditors of the Hospital. Unrestricted net position is remaining net position that does not meet the definition of net investment in capital assets or restricted for debt service.

Risk management: The Hospital is exposed to various risks of loss related to torts; theft of or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Hospital is self-insured for employee health insurance. For the employee health claims, a historical analysis has been performed of incurred but not reported claims to determine the liability at December 31, 2012 and 2011. For medical malpractice, the Hospital has professional liability insurance with a commercial carrier. Settled claims have not exceeded this coverage in any of the three preceding years.

Restricted Assets: Assets limited as to use consist of cash restricted by the Trustee for maintenance of a minimum operating reserve in connection with the Hospital's Refunding and Improvement Bonds.

Investments: The Hospital records its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Unrealized gains and losses on investments are included in net investment income in the statements of revenues, expenses, and changes in net position.

Note 2. Summary of Significant Accounting Policies (Continued)

Concentration risk: Financial instruments that potentially subject the Hospital to concentrations of credit risk consist principally of cash and cash equivalents and patient accounts receivable.

The Hospital places its cash and cash equivalents with high credit quality financial institutions. Concentration of credit risk relating to patient accounts receivable is limited to some extent by the diversity and number of the Hospital's patients and payors. Patient accounts receivable consists of amounts due from government programs, commercial insurance companies, private pay patients, and other group insurance programs. Excluding governmental programs, no payor source represents more than 10% of the Hospital's patient accounts receivable. The Hospital maintains an allowance for uncollectible accounts based on the expected collectability of patient accounts receivable.

Upper payment limit: In September 2001, the State of Ohio Supplemental Upper Payment Limit program for Public Hospitals (UPL) was approved by the Centers for Medicare and Medicaid Services (CMS). This program provides access to available federal funding up to 100% of the Medicare upper payment limits for inpatient hospital services rendered by Ohio Public Hospitals to Ohio Medicaid consumers. The State of Ohio fiscal year 2011/2012 budget also included an expansion of the UPL program to outpatient services for the first time. The Hospital received $301,143 and $105,582 in outpatient UPL payments in 2012 and 2011, respectively. The net amount recorded in net patient service revenue for UPL by the Hospital was $456,358 and $260,797 in 2012 and 2011, respectively. The State of Ohio discontinued the Program's required contributing match for participants as of June 30, 2009. Effective July 1, 2009, the State began assessing a franchise fee to hospitals to fund healthcare programs, including the UPL program. The Hospital incurred a franchise fee expense of $317,029 and $212,143 in 2012 and 2011, respectively and recorded the amounts in supplies and other expenses in the statements of revenues, expenses, and changes in net position. The Hospital's franchise fee liability payable to the State of Ohio at December 31, 2012 and 2011 was $0 and $46,845, respectively, and is recorded on the statements of net position in accounts payable and accrued expenses.

Disproportionate share: As a public health care provider, the Hospital renders services to residents of the County and others regardless of ability to pay. The Hospital Care Assurance Program (HCAP) is the Ohio Department of Job and Family Services' mechanism for meeting the federal requirement to provide additional payments to hospitals that provide a disproportionate share of uncompensated services to the indigent and uninsured. The Hospital received additional net payments from this program totaling $95,601 and $486,904 in 2012 and 2011, respectively, which are included in net patient service revenue. HCAP amounts are presented net of amounts received and assessments paid by the Hospital. The Hospital received $326,149 and $587,223 in 2012 and 2011, respectively and paid $230,548 and $100,319 in 2012 and 2011, respectively.

Charity care: The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies and equivalent service statistics. Charges forgone under the Hospital's charity care policy were $3,379,378 and $3,884,677 in 2012 and 2011, respectively.

Reclassifications: Certain reclassifications of 2011 amounts have been made to conform to the 2012 presentation.

Note 3. Changes in Accounting Principles and Recent Accounting Pronouncements

GASB has issued the following statements that have been implemented by the Hospital for the year ended December 31, 2012:

Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance contained in pre-November 1989 FASB and AICPA Pronouncements*. The Statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in certain FASB and AICPA pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. GASB Statement No. 62 also eliminates the election made by the Hospital under GASB Statement No. 20 – *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, to apply the provisions of all relevant pronouncements of the FASB Standards Codification, which did not conflict with or contradict GASB pronouncements.

Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* was established to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. This Statement also incorporates deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

Statement No. 64 – *Derivative Instruments: Application of Hedge Accounting Termination Provisions, Amendment of GASB 53,* was established to enhance comparability and improve financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced.

There was no significant impact to the financial statements as a result of the application of these standards.

GASB has issued the following statements not yet implemented by the Hospital:

Statement No. 61 – *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34,* modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination. The Hospital is required to implement the provisions of this Statement for the year ending December 31, 2013.

GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities*, will be effective for the Hospital beginning with the year ending December 31, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term "deferred" in financial statement presentations.

Note 3. Changes in Accounting Principles and Recent Accounting Pronouncements (Continued)

GASB Statement No. 66 – *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, will be effective for the Hospital beginning with the year ending December 31, 2013. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate.

GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions,* will be effective for the Hospital beginning with the year ending June 30, 2015. This statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

Note 4. Deposits and Investments

Deposits

State law requires insurance or collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts.

Custodial credit risk: Custodial credit risk is the risk that, in the event of bank failure, the Hospital's deposits might not be recovered. The FDIC increased insurance through December 31, 2013 for funds held in interest-bearing accounts from $100,000 to $250,000 per depositor per category of legal ownership. The Hospital's investment policy does not address custodial credit risk.

The bank balances of the Hospital's deposits at December 31, 2012 and 2011, totaled $1,491,351 and $1,835,560, respectively, and were subject to the following categories of custodial credit risk:

	2012	2011
Uncollateralized	$ -	$ -
Collateralized with securities held by the pledging institution's trust department, but not in the Hospital's name	1,181,696	1,462,786
Total amount subject to custodial risk	1,181,696	1,462,786
Amount insured	309,655	372,774
Total bank balances	$ 1,491,351	$ 1,835,560

Note 4. Deposits and Investments (Continued)

Investments

The Hospital has adopted an investment policy that is consistent with the allowable investments provided by the Auditor of State (Ohio). The policy authorizes the Hospital to invest in the following:

- United States obligations or any other obligation guaranteed as to principal and interest by the United States.
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality.
- Interim deposits in the eligible institutions applying for interim monies as provided in Ohio Revised Code Section 135.08.
- Bonds or other obligations of the State of Ohio.
- The Ohio Subdivisions Fund (Star Ohio) as provided in Ohio Revised Code Section 135.45.
- Certificates of Deposit.

The Hospital's investments generally are reported at fair value, as discussed in Note 1. At December 31, 2012 and 2011, the Hospital had the following investments and maturities, all of which were held in the Hospital's name by custodial banks that are agents of the Hospital:

		Investment Maturities	
	2012	Less than 1 Year	1-5 Years
U.S. Government Agencies			
AAA	$ 4,796	$ -	$ 4,796
Money Market Funds			
AAA	134,242	134,242	-
	$ 139,038	$ 134,242	$ 4,796

		Investment Maturities	
	2011	Less than 1 Year	1-5 Years
U.S. Government Agencies			
AAA	$ 6,316	$ -	$ 6,316
Money Market Funds			
AAA	759,190	759,190	-
	$ 765,506	$ 759,190	$ 6,316

Interest Rate Risk: The Hospital's investment policies limit investment portfolios to maturities of five years or less. All of the Hospital's investments at December 31, 2012 and 2011, have effective maturity dates of less than five years.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Hospital will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Hospital's investment policy does not address custodial credit risk.

Note 5. Capital Assets

Capital assets additions, retirements, and balances as of and for the years ended December 31, 2012 and 2011 were as follows:

2012	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Capital assets not being depreciated:					
Land	$ 255,120	$ -	$ -	$ -	$ 255,120
Construction in process	468,938	646,610	(616,488)	-	499,060
Total nondepreciated capital assets	724,058	646,610	(616,488)	-	754,180
Depreciable capital assets:					
Land improvements	422,678	5,207	700	-	428,585
Buildings and improvements	14,220,396	25,444	14,786	-	14,260,626
Equipment	12,046,351	1,163,999	601,002	(1,817,343)	11,994,009
Total depreciable capital assets	26,689,425	1,194,650	616,488	(1,817,343)	26,683,220
Less accumulated depreciation:					
Land improvements	(301,134)	(14,758)	-	-	(315,892)
Buildings and improvements	(7,076,263)	(407,600)	-	-	(7,483,863)
Equipment	(9,457,231)	(1,046,738)	-	1,814,669	(8,689,300)
Total accumulated depreciation	(16,834,628)	(1,469,096)	-	1,814,669	(16,489,055)
Total depreciable capital assets, net	9,854,797	(274,446)	616,488	(2,674)	10,194,165
Total capital assets, net	$ 10,578,855	$ 372,164	$ -	$ (2,674)	$ 10,948,345

2011	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Capital assets not being depreciated:					
Land	$ 255,120	$ -	$ -	$ -	$ 255,120
Construction in process	296,162	347,693	(174,917)		468,938
Total nondepreciated capital assets	551,282	347,693	(174,917)	-	724,058
Depreciable capital assets:					
Land improvements	333,392	-	89,288	-	422,678
Buildings and improvements	14,217,207	11,929	-	(8,740)	14,220,396
Equipment	12,402,672	534,603	85,629	(976,553)	12,046,351
Total depreciable capital assets	26,953,271	546,532	174,917	(985,293)	26,689,425
Less accumulated depreciation:					
Land improvements	(286,898)	(14,236)	-	-	(301,134)
Buildings and improvements	(6,672,848)	(412,155)	-	8,740	(7,076,263)
Equipment	(9,319,541)	(1,114,243)	-	976,553	(9,457,231)
Total accumulated depreciation	(16,279,287)	(1,540,634)	-	985,293	(16,834,628)
Total depreciable capital assets, net	10,673,984	(994,102)	174,917	-	9,854,797
Total capital assets, net	$ 11,225,266	$ (646,409)	$ -	$ -	$ 10,578,855

Note 5. Capital Assets (Continued)

Total depreciation expense related to capital assets for 2012 and 2011 was $1,469,096 and $1,540,634, respectively.

The cost of equipment under capital lease included in capital assets as of December 31, 2012 and 2011 was as follows:

	2012	2011
Cost of equipment under capital lease	$ 2,633,284	$ 4,120,960
Accumulated amortization	(1,316,972)	(3,172,479)
Net carrying amount	$ 1,316,312	$ 948,481

Note 6. Line of Credit

The Hospital has a $1,000,000 line of credit with a bank. The amount borrowed on the line of credit was $300,000 and $0 as of December 31, 2012 and 2011, respectively. Interest on the line of credit is a variable rate equal to Prime plus .87%, which was approximately 4.12% and 5.50% at December 31, 2012 and 2011, respectively. The loan is secured by patient accounts receivable, which have a net book value of $4,611,143 at December 31, 2012.

Note 7. Long-Term Debt and Capital Lease Obligations

Information regarding the Hospital's long-term debt and capital lease activity and balances as of and for the year ended December 31, 2012 is as follows:

	2012				
	Beginning Balance	Additions	Payments/ Reductions	Ending Balance	Due Within One Year
1993 County Hospital Refunding and Improvement Bond Series	$ 125,000	$ -	$ (60,000)	$ 65,000	$ 65,000
1999 County Hospital Refunding and Improvement Bond Series	1,310,000	-	(140,000)	1,170,000	145,000
Note payable, Hocking County Public Health Department	28,500	-	(28,500)	-	-
Note payable, Hocking Valley Community Hospital Memorial Fund, Inc.	-	330,002	-	330,002	100,000
Capital lease obligations	1,104,318	851,135	(821,959)	1,133,494	484,388
	2,567,818	1,181,137	(1,050,459)	2,698,496	794,388
Bond discount	(23,730)	-	4,770	(18,960)	-
Long-term debt	$ 2,544,088	$ 1,181,137	$ (1,045,689)	$ 2,679,536	$ 794,388

Note 7. Long-Term Debt and Capital Lease Obligations (Continued)

Information regarding the Hospital's long-term debt and capital lease activity and balances as of and for the year ended December 31, 2011 is as follows:

	2011				
	Beginning Balance	Additions	Payments/ Reductions	Ending Balance	Due Within One Year
1993 County Hospital Refunding and Improvement Bond Series	$ 185,000	$ -	$ (60,000)	$ 125,000	$ 60,000
1999 County Hospital Refunding and Improvement Bond Series	1,445,000	-	(135,000)	1,310,000	140,000
Note payable, Hocking County Public Health Department	85,500	-	(57,000)	28,500	28,500
Capital lease obligations	1,517,762	286,651	(700,095)	1,104,318	680,644
	3,233,262	286,651	(952,095)	2,567,818	909,144
Bond discount	(28,499)	-	4,769	(23,730)	-
Long-term debt	$ 3,204,763	$ 286,651	$ (947,326)	$ 2,544,088	$ 909,144

Effective July 1, 1993, Hocking County, Ohio, acting by and through the Board of Trustees of Hocking Valley Community Hospital, issued $3,300,000 of County Hospital Refunding and Improvement Bonds (1993 Bonds). The proceeds of the 1993 Bonds were used to advance refund $2,040,000 Hocking County Refunding Bonds, repay a capital lease and construct certain Hospital improvements. The bonds bear interest at 5.45%. The bonds mature in varying amounts through December 1, 2013. The Hospital has agreed with the Hocking County Commissioners, as Trustee for the 1993 Bonds, to maintain a minimum operating reserve of $330,000.

Effective March 1, 1999, Hocking County, Ohio, acting by and through the Board of Trustees of Hocking Valley Community Hospital, issued $2,610,000 of County Hospital Improvement Bonds, Series 1999 (1999 Bonds). The proceeds of the 1999 Bonds were used to acquire and finance certain Hospital improvements. The bonds bear interest at rates ranging from 3.30% to 4.75%. The bonds mature in varying amounts each June 1 and December 1 through December 1, 2019.

The 1993 and 1999 Bonds are unvoted general obligations of the County. The basic security for the bonds is the County's ability to levy an ad valorem tax on all real and personal property in the County.

Note payable, Hocking County Public Health Department, had bi-annual payments of $14,250 due and payable each June and December through 2012. At December 31, 2012, the note was fully repaid.

Note payable, Hocking Valley Community Hospital Memorial Fund, Inc. (Foundation), requires quarterly payments of $25,000 from March 2013 through June 2016, when a final payment of $5,002 is due. The proceeds of the note were used to construct certain Hospital improvements. The note is uncollateralized and has a service fee payable with each quarterly payment at a rate equal to 0.25% plus the highest certificate of deposit rate of any certificate of deposit held by the Foundation. Interest per the agreement was 0% and management determined that imputed interest was immaterial.

Capital lease obligations have varying rates of imputed interest ranging from 0.6% to 18.3%. The obligations are collateralized by leased equipment and mature at varying amounts through 2017.

Note 7. Long-Term Debt and Capital Lease Obligations (Continued)

Long-term debt and capital lease obligation payment requirements for fiscal years subsequent to December 31, 2012, are as follows:

	Capital Lease Obligations			Long-Term Debt		
	Principal	Interest	Total	Principal	Interest	Total
2013	$ 484,388	$ 63,680	$ 548,068	$ 310,000	$ 58,973	$ 368,973
2014	329,792	46,633	376,425	250,000	48,688	298,688
2015	176,083	26,216	202,299	260,000	41,563	301,563
2016	79,862	14,698	94,560	195,002	33,963	228,965
2017	63,369	3,607	66,976	175,000	26,125	201,125
2018-2019	-	-	-	375,000	26,838	401,838
	$ 1,133,494	$ 154,834	$ 1,288,328	$ 1,565,002	$ 236,150	$ 1,801,152
Bond discount				(18,960)		
Total long-term debt, net				$ 1,546,042		

Note 8. Estimated Amounts Due to Third-Party Payors

The Hospital has agreements with third-party payors that provide for payment of amounts different from established rates. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and are adjusted in future periods, as final settlements are determined. See Note 2 for additional information. As of December 31, 2012 and 2011, the liability for estimated amounts due to third-party payors, which primarily consist of amounts related to Medicare and Medicaid programs, are as follows:

	2012	2011
2009	$ 5,000	$ 40,000
2010	-	40,000
2011	14,009	314,072
2012	343,040	-
	$ 362,049	$ 394,072

Note 9. Other Long-Term Liabilities

Compensated absences: The Hospital's employees earn vacation time at varying rates depending on years of service. Employees may accumulate vacation time, up to a specified amount, to be carried over to the subsequent year. The Hospital's employees also earn sick leave on an annual basis at a flat rate regardless of years of service. Accrued sick leave is paid out at termination at rates up to 18 percent of hours accrued at 50 percent of the base rate, depending on years of service in accordance with the Ohio Revised Code. Accrued sick leave is paid out upon retirement at 33 percent of accrued days, with maximum payouts of 40 to 80 days depending on years of service, for retired employees with at least 10 years of service. As of December 31, 2012 and 2011, the liability for accrued vacation and sick leave was $1,216,888 and $1,223,068, respectively.

Note 9. Other Long-Term Liabilities (Continued)

Other Long-Term Liabilities: Information regarding the Hospital's other long-term liabilities activity and balances as of and for the years ended December 31, 2012 and 2011 is as follows:

2012	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Amounts due to third-party payors	$ 394,072	$ 343,933	$ 375,956	$ 362,049	$ 362,049
Accrued vacation	915,756	270,368	356,174	829,950	330,100
Accrued sick leave	307,312	123,542	43,916	386,938	51,893
	$ 1,617,140	$ 737,843	$ 776,046	$ 1,578,937	$ 744,042

2011	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Amounts due to third-party payors	$ 130,000	$ 597,046	$ 332,974	$ 394,072	$ 394,072
Accrued vacation	905,374	374,687	364,305	915,756	376,096
Accrued sick leave	303,457	41,885	38,030	307,312	38,513
	$ 1,338,831	$ 1,013,618	$ 735,309	$ 1,617,140	$ 808,681

Risk Management: The Hospital is exposed to various risks of loss related to torts; theft of or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Hospital is self-insured for employee health insurance. For the employee health claims, a historical analysis has been performed of incurred but not reported claims to determine the liability at December 31, 2012 and 2011. For medical malpractice, the Hospital has professional liability insurance with a commercial carrier. Coverage is $1,000,000 per occurrence and $3,000,000 in the annual aggregate. In addition, the Hospital has umbrella coverage of $2,000,000 per occurrence and $2,000,000 in the annual aggregate. The policy also requires that certain members of the medical staff carry professional liability coverage of no less than $1,000,000 per occurrence and $3,000,000 in the annual aggregate. The Hospital's coverage is on a claims made basis. Settled claims for medical malpractice have not exceeded insurance coverage in any of the past three years.

Losses from asserted and unasserted claims identified under the Hospital's incident reporting systems are accrued based on estimates that incorporate the Hospital's past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors. There is no liability for medical malpractice at December 31, 2012, 2011 or 2010. The liability for estimated self-insured employee health claims includes estimates of the ultimate costs for both reported claims and incurred but not reported claims, and at December 31, 2012, 2011 and 2010 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
2012	$ 200,000	$ 3,641,131	$ 3,510,754	$ 330,377	$ 330,377
2011	325,000	2,592,966	2,717,966	200,000	200,000
2010	235,785	3,593,387	3,504,172	325,000	325,000

Note 10. Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payment to the Hospital at amounts different from its established rates. The Hospital is designated as a Critical Access Hospital (CAH) under the Medicare and Medicaid programs. CAH's receive payments on a reasonable cost basis, for inpatient and most outpatient services provided to eligible Medicare and Medicaid patients. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's billings at established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party payors follows:

Medicare: On October 4, 2006, the Hospital became a Critical Access Hospital. After October 4, 2006, inpatient services and most outpatient services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology. Other outpatient services are reimbursed based on fee schedules.

The Hospital and the Hospital's swing beds are reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization.

The Hospital's Extended Care Facility is paid based on a prospective payment system (PPS). This system establishes Resource Utilization Groups (RUGs) based on the clinical and diagnostic information from the beneficiaries Minimum Data Set Version 2.0 (MDS). The MDS assessment is performed at prescribed intervals by a nurse and the RUG-III group is determined based on the clinical resources needed by the beneficiary. Each RUG category has a payment rate which is facility specific based on the location and wage index of the facility.

Medicaid: Inpatient services rendered to Medicaid program beneficiaries are reimbursed based on prospectively determined rates per discharge. Medicaid outpatient services are reimbursed based upon the lesser of the Hospital's charge or predetermined fee schedule amounts. Capital related expenditures are subject to annual cost report settlement.

Other payors: The Hospital has entered into agreements with certain commercial carriers. Reimbursement for services under these agreements includes discounts from established charges and other payment methodologies.

In 2012, approximately 55% of the Hospital's total net patient revenue was derived from Medicare payments while 9% was derived from Medicaid. In 2011, approximately 51% of the Hospital's total net patient revenue was derived from Medicare payments while 8% was derived from Medicaid. The remaining revenue was derived primarily from commercial insurance payments and individual self-payments.

Laws and regulations governing the Medicare and Medicaid 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. Differences between the estimated amounts accrued at interim and final settlements are reported in the statement of revenues, expenses and changes in net position in the year of settlement. The Hospital had a favorable adjustment of $22,911 and an unfavorable adjustment of $277,000 to net patient service revenue in 2012 and 2011, respectively, due to the removal of allowances that were no longer considered necessary based on tentative or final settlements in excess of amounts previously estimated and the addition of allowances not previously estimated that were considered necessary, respectively.

Note 10. Net Patient Service Revenue (Continued)

Gross patient service revenue and the allowances to reconcile to net patient service revenue for the years ended December 31, 2012 and 2011 is as follows:

	2012	2011
Gross patient service revenue	$ 73,183,132	$ 73,487,234
Less third-party contractual allowances	37,876,253	37,051,652
Less provision for bad debts	3,392,444	2,565,792
Net patient service revenue	$ 31,914,435	$ 33,869,790

Note 11. Benefit Plans

Pension Plan: Employee retirement benefits are available for substantially all employees under three separate retirement plans administered by the Ohio Public Employees Retirement System (OPERS). The plans are the Traditional Pension Plan — a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan — a defined contribution pension plan in which the members invest both member and employee contributions (employer contributions vest over five years at 20% per year) and the Combined Plan — a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employee contributions plus any investment earnings. OPERS provides retirement, disability, survivor, and post employment healthcare benefits, to the Traditional Pension and Combined Plan members, however, healthcare benefits are not statutorily guaranteed. Participants in the Member-Directed Plan do not qualify for ancillary benefits. Information related to the OPERS as a whole is included in the County's Comprehensive Annual Financial Report. A separate valuation of pension benefits is not performed for the Hospital's employees.

OPERS issues a stand-alone financial report and may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377. The Ohio Revised Code provides statutory authority for employee and employer contributions. For the years ended December 31, 2012, 2011, and 2010, the employee contribution rate was 10.0% of covered payroll and the Hospital was required to contribute 14.0% of covered payroll. For 2012, member and employer contribution rates were consistent across all three plans. Employee contributions to OPERS for the years ended December 31, 2012, 2011, 2010, and 2009, were $1,352,653, $1,355,358, $1,394,249, and $1,359,466, respectively, equal to the required contributions for each year. The Hospital's contributions to OPERS for the years ended December 31, 2012, 2011, 2010, and 2009, were $1,963,571, $1,896,461, $1,951,944, and $1,903,248, respectively, equal to the required contributions for each year.

The Ohio Revised Code provided the statutory authority requiring public employers to fund pensions through their contributions to OPERS.

Note 11. Benefit Plans (Continued)

Post Employment Benefits: OPERS maintains a cost-sharing multiple employer defined benefit post employment healthcare plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits including post employment healthcare coverage.

In order to qualify for post employment healthcare coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Healthcare coverage of disability benefit recipients and qualified survivor benefit recipients is available. The healthcare coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

The Ohio Revised Code provided the statutory authority requiring public employers to fund post employment health care through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post employment healthcare benefit.

The employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, the employer contribution was 14.0% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll. Active members do not make contributions to the OPEB plan.

OPERS’ Post Employment HealthCare plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to healthcare for members in the Traditional Plan was 4.0% during calendar year 2012. The portion of employer contributions allocated to health care in the Combined Plan was 6.05% during calendar year 2012. The portion of employer contributions allocated to health care beginning in calendar year 2013 has remained the same but is subject to change based on Board action. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The Hospital’s contributions for 2012, 2011, 2010, and 2009, used to fund post employment healthcare benefits were $560,992, $541,819, $710,612, and $802,114, respectively, which are included in the Hospital’s contractually required contribution of $1,963,571, $1,896,461, $1,951,944, and $1,903,248 for the years ended December 31, 2012, 2011, 2010, and 2009, respectively.

On September 9, 2004, the OPERS Retirement Board adopted the Health Care Preservation Plan (HCPP), effective on January 1, 2007. Effective as of January 1, 2006, 2007, and 2008, member and employer contribution rates increased, allowing additional funds to be allocated to the healthcare plan.

Note 12. Related Parties

Hocking Valley Community Hospital Memorial Fund, Inc.:
The Hocking Valley Community Hospital Memorial Fund, Inc. (Foundation) was organized as a separate not-for-profit membership corporation. The purpose of the Foundation is to solicit gifts for the benefit of the Hospital. The Board of Trustees of the Foundation is elected by the Foundation's members. The Foundation's funds, which represent the Foundation's unrestricted resources, are distributed to the Hospital in amounts and in periods determined by the Foundation's Board of Trustees, who may also restrict the use of such funds for Hospital property and equipment replacement, expansion or other specific purposes. Because management believes the resources of the Foundation are significant to the Hospital, the Foundation is considered a component unit of the Hospital. The Hospital has not discretely presented the Foundation's financial statements as required by accounting principles generally accepted in the United States of America. The following summarized condensed financial statements are for informational purposes only.

The Foundation is the controlling member of the Hocking Valley Medical Group, Inc. (HVMG). The unaudited condensed financial statements of the Foundation do not include the assets, obligations, revenues or expenses of HVMG.

Hocking Valley Community Hospital Memorial Fund, Inc.

Unaudited Condensed Statements of Net Position
December 31, 2012 and 2011

	2012	2011
Assets		
Current Assets		
Cash and cash equivalents	$ 374,740	$ 613,220
Investments	705,088	735,452
Note receivable	330,002	-
Property and equipment, net	678,299	561,297
Total assets	$ 2,088,129	$ 1,909,969
Liabilities		
Total liabilities	$ -	$ -
Total net position	2,088,129	1,909,969
Total liabilities and net position	$ 2,088,129	$ 1,909,969

Note 12. Related Parties (Continued)

Hocking Valley Community Hospital Memorial Fund, Inc.

Unaudited Condensed Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2012 and 2011

	2012	2011
Total support	$ 262,193	$ 223,901
Expenses	(64,033)	(58,756)
Donations and pledges to the Hospital	(20,000)	(95,000)
Increase in net position	178,160	70,145
Net position, beginning of year	1,909,969	1,839,824
Net position, end of year	$ 2,088,129	$ 1,909,969

The Hospital entered into a 10-year non-cancelable lease with the Foundation for the Medical Arts Building that expires in September 2018. The Hospital is responsible for utilities, taxes, maintenance and insurance in addition to the rental payments of $6,256 per month. Future minimum rental payments for the years ending December 31 are as follows:

2013	$ 75,072
2014	75,072
2015	75,072
2016	75,072
2017	75,072
Thereafter	131,376
Total future minimum lease payments	$ 506,736

Hocking Valley Medical Group, Inc., related party:
HVMG was organized as a separate not-for-profit stock professional corporation. The purpose of HVMG is to engage in the practice and to render the professional services of medicine and to further the charitable purposes of the Foundation and the Hospital. The unaudited condensed financial statements of the Foundation do not include the assets, obligations, revenues or expenses of HVMG.

During the years ended December 31, 2012 and 2011, the Hospital disbursed funds totaling $2,474,000 and $1,966,900, respectively, on behalf of HVMG to fund operating deficits. These amounts were paid to the Foundation, who acting as fiscal agent, remitted the funds to HVMG. There were no amounts due to or receivable from HVMG at December 31, 2012 and 2011.

Note 12. Related Parties (Continued)

Hocking Valley Health Services:
Hocking Valley Health Services (HVHS) is a not-for-profit membership corporation located in Logan, Ohio. The purpose of HVHS is to provide healthcare and physician services and to own, lease, operate and/or provide healthcare facilities for the promotion of health in the area served by the Hospital. Additionally, HVHS is to conduct strategic healthcare planning and otherwise operate exclusively for the benefit and support of the Board of Trustees of the Hospital. The Board of Trustees of HVHS is elected by HVHS's members of whom fifty percent of the voting rights are controlled by the Board of Trustees of the Hospital. HVHS has not entered into any financial activities as of or for the years ended December 31, 2012 and 2011. Therefore, the Hospital's financial statements exclude the activities of HVHS.

Note 13. Commitments and Contingencies

Regulatory environment including fraud and abuse matters: 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 Medicaid fraud and abuse. Government activity continues 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 Hospital is in compliance with fraud and abuse, as well as other applicable government laws and regulations. While no 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 asserted at this time.

Patient Protection and Affordable Care Reconciliation Act: On March 23, 2010, the most sweeping health care legislation since the advent of Medicare was signed into law. The law promises to expand insurance coverage to an additional 32 million Americans, reduce the growth of Medicare expenditures, dramatically reform insurance markets, and continue the trend toward value-based payment. The Reconciliation Act amends various provisions of the Patient Protection and Affordable Care Reconciliation Act and adds some new provisions that were not included originally. Several legal challenges have been made against the legislation since it was enacted, and uncertainty exists as to the ultimate impact of the legislation on the health care delivery system. On June 28, 2012, The United States Supreme Court upheld the constitutionality of components of the Affordable Care Act, allowing the historic overhaul of the health care system to continue. Potential impacts of health care reform include uncertainty and volatility in Medicare and Medicaid reimbursement, fundamental changes in payment systems, increased regulation, and significant required investments in health care information technology.

Center for Medicare and Medicaid Services Recovery Audit Contractor Program: Congress passed the Medicare Modernization Act in 2003, which among other things established a three-year demonstration of the Medicare Recovery Audit Contractor Program (RAC) program. The RAC's identified and corrected a significant amount of improper payments to providers. In 2006, Congress passed the Tax Relief and Health Care Act of 2006 which authorizes the expansion of the RAC program to all 50 states by 2010. The Centers for Medicare and Medicaid Services (CMS) is in the process of rolling out this program nationally.

Note 13. Commitments and Contingencies (Continued)

Medicare and Medicaid Electronic Health Records (EHR) Incentive Programs: The American Recovery and Reinvestment Act of 2009 provides for Medicare and Medicaid Incentive Programs beginning in Federal fiscal year 2011 for eligible acute care hospitals that are meaningful users of certified EHR technology, as defined by the Federal Register. The Hospital has implemented certified EHR technology that has enabled it to demonstrate its meaningful use and to qualify for the incentive programs. The initial incentive payments received for both the Medicare and Medicaid EHR incentive programs are estimates based upon data from prior year's cost reports. The final settlements will be determined after the submission of the current annual cost reports and subsequent audits by the fiscal intermediary. The EHR Incentive Programs are expected to continue through September 30, 2014, and the incentive payments will be calculated annually. After that date, hospitals that are not meaningful users or certified users of EHR technology will be subjected to a potential decrease in their Medicare and Medicaid payments.

The Hospital accounts for EHR Incentive funds using a gain contingency accounting model. Under this policy, EHR payments are recognized as revenue when the Hospital has complied with the meaningful use criteria for the full reporting period and all contingencies relating to receipt of the incentive payments have been resolved. EHR Incentive funds are included in noncapital grants and contributions in the statements of revenues, expenses and changes in net position and related receivables are included as other receivables in the statements of net position.

The Hospital successfully registered for the hospital Ohio Medicaid EHR Incentive Program and completed the attestation process in October 2012. As of December 31, 2012, the Hospital has recorded $249,000 for Medicaid EHR Incentive. At December 31, 2012 and 2011, the related receivables are $0.

The Hospital intends to register for the hospital Medicare EHR Incentive Program. The Hospital is currently collecting data to demonstrate ninety days of continuous use as a meaningful user. It is expected that the attestation will be submitted during second quarter of 2013.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board of Trustees of
Hocking Valley Community Hospital
Logan, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Hocking Valley Community Hospital (the Hospital) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated April 25, 2013. Our report expressed an adverse opinion on the discretely presented component unit financial statements because those statements were omitted from the financial reporting entity statements.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses, as finding 2012-01, that we consider to be a significant deficiency.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* (Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Hocking Valley Community Hospital's Response to Findings

The Hospital's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Hospital's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McGladrey LLP

Cleveland, Ohio
April 25, 2013

Summary Schedule of Findings and Responses
Year Ended December 31, 2012

Financial Statement Findings

Finding Number: 2012-01

Finding Description: Estimates

Criteria: A strong internal control environment should include processes that are designed to provide reasonable assurance about the achievement of an entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: Audit adjustments were proposed to the following account balances:

- Contractual allowances and bad debt expenses
- Estimated amounts due to third-party payors
- Self-insured employee health liability

Context: These conditions were identified during our audit of the estimation processes surrounding these account balances and corroboration with underlying records.

Effect: A lack of formal policies and procedures that formally document the methodologies and reconciliation processes in place associated with accounting estimates could result in a misstatement of financial statement activity.

Cause: Formal policies and procedures surrounding the estimation processes associated with these accounts were not established or were not designed appropriately.

Recommendation: We recommend that formal policies and procedures be established to ensure that the estimates reflected in the financial statements are appropriate and reasonable.

Views of responsible officials and planned corrective actions:

It has always been our practice to utilize spreadsheet modeling for the major estimates listed above. The models are very clear with respect to where the input numbers come from and how to enter the data to calculate an outcome (entry) based on established methodology. This has never been an issue for HVCH in the past and, as a result, step-by-step "procedures" were never in place, nor do we feel they are necessary. During calendar year 2012, entries were made outside the agreed upon methodology of the estimating models. Had these extra entries not been made, there would have been no material audit adjustments. Not following the process is a clear violation of the HVCH Employee Work Rules Policy and the formal disciplinary process was initiated. We are confident that proper execution of the estimating models, as designed, coupled with quarterly reviews (contractual allowances / bad debt) and semi-annual reviews (third party / vacation / sick / health insurance) will avoid any inconsistencies in the future.

Hocking Valley Community Hospital
(A Component Unit of Hocking County, State of Ohio)

Summary Schedule of Prior Year Findings and Responses
Year Ended December 31, 2011

There were no prior year findings.

HOCKING VALLEY COMMUNITY HOSPITAL

HOCKING COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 11, 2013