

**Teton County Hospital District
d/b/a St. John's Medical Center**

Accountants' Reports and Financial Statements

June 30, 2011 and 2010

**Teton County Hospital District
d/b/a St. John's Medical Center
June 30, 2011 and 2010**

Contents

Independent Accountants' Report on Financial Statements and Supplementary Information.....	1
Management's Discussion and Analysis	3
Financial Statements	
Balance Sheets.....	10
Statements of Financial Position – St. John's Medical Center Foundation.....	11
Statements of Revenues, Expenses and Changes in Net Assets.....	12
Statement of Activities – St. John's Medical Center Foundation – 2011.....	14
Statement of Activities – St. John's Medical Center Foundation – 2010.....	15
Statements of Cash Flows	16
Notes to Financial Statements	18
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	40

Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Trustees
Teton County Hospital District
d/b/a St. John's Medical Center
Jackson, Wyoming

We have audited the accompanying basic financial statements of Teton County Hospital District d/b/a St. John's Medical Center (the District) and its discretely presented component unit as of and for the years ended June 30, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of St. John's Medical Center Foundation, the discretely presented component unit, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other accountants provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Teton County Hospital District d/b/a St. John's Medical Center and its discretely presented component unit as of June 30, 2011 and 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Board of Trustees
Teton County Hospital District
d/b/a St. John's Medical Center

The accompanying management's discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

 **BKD, LLP**

October 25, 2011

**Teton County Hospital District
d/b/a St. John's Medical Center
Management's Discussion and Analysis
(Unaudited)
Years Ended June 30, 2011 and 2010**

Introduction

This management's discussion and analysis of Teton County Hospital District d/b/a St. John's Medical Center's (the District) financial performance provides an overview of the District's financial activities for the fiscal years ended June 30, 2011 and 2010. The District operates under a July 1 - June 30 fiscal year. Please read this analysis in conjunction with the District's financial statements. Unless otherwise noted, the information and financial data included in management's discussion and analysis relates solely to the District.

Financial Highlights

- The District's net assets increased in 2011 to \$81 million and increased in 2010 to \$73 million. The increases are 11.5% and 9.2%, respectively.
- The District's cash and cash equivalents (included in current assets) increased in 2011 by \$5.6 million, or 23.3%, and increased in 2010 by \$13.1 million, or 119.5%.
- The District's cash and cash equivalent and certificates of deposit were \$29,569,390 and \$5,000,000 totaling \$34,569,390 for 2011 and \$23,982,159 and \$5,000,000 totaling \$28,982,159 for 2010.
- The District reported operating income of \$1,134,242 in fiscal year 2011 and operating income of \$1,543,625 in fiscal year 2010.
- Operating revenues increased by \$2.2 million and \$2.9 million, or 3.4% and 4.6%, in fiscal year 2011 and 2010, respectively.
- Operating expenses increased in 2011 by 4.1% and 2010 by 1.8%, respectively.
- Capital contributions were \$3,170,287 and \$1,238,768 during 2011 and 2010, respectively. During fiscal year 2011, \$2,798,795 of the capital contributions were derived from contributions through St. John's Medical Center Foundation (the Foundation) and \$371,492 was from private donors, including a gift in-kind of \$352,240.
- Property tax revenues received were \$4.0 million and \$4.3 million during 2011 and 2010, respectively, equating to a 7.0% decrease between years.
- The voters of Teton County approved \$11.8 million of the County's Specific Purpose Excise Tax (SPET) to be awarded to the District over a period of approximately three and one half years in order to upgrade/expand the Oncology, Surgery and Obstetrics departments. The balance of the \$25.9 million project will be paid with funds from tax-exempt borrowing (\$11.2 million), the hospital cash reserves, and other sources.

Using this Annual Report

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

**Teton County Hospital District
d/b/a St. John's Medical Center
Management's Discussion and Analysis
(Unaudited)
Years Ended June 30, 2011 and 2010**

The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Assets

One of the most important questions to ask about the District's financial health or stability is, "Is the District, as a whole, in a better financial position as a result of the current fiscal year's activities?" The balance sheet and the statement of revenues, expenses and changes in net assets report information about the District'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 revenue and expense activities are taken into account or recorded regardless of when cash is received or paid.

These two statements report the District's net assets and all associated changes. You can think of the net assets – the difference between assets and liabilities – as one way to measure the District's financial health or financial position. Over time, increases or decreases in the net assets are one indicator of whether the District's financial health is improving or deteriorating. You will also need to consider other nonfinancial factors, such as changes in the patient service volume, payer mix, and measures of the quality of service provided to the community, as well as local economic factors to assess the overall health of the District.

The Statement of Cash Flows

The final required statement is the statement of cash flows. The statement of cash flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from operations, investing activities, noncapital financing activities and capital and related financing activities. The statement provides information on sources of cash, what was cash used for, and what was the change in cash balance during the reporting period.

The District's Net Assets

The District's net assets are the difference between its assets and liabilities reported in the balance sheets. As mentioned above, the District's net assets were \$81 million in 2011, an 11.5% increase over 2010. Net assets were \$73 million in 2010, a 9.2% increase over 2009. The increase for 2011 and 2010 represents a 21.7% increase overall compared to total net assets as of June 30, 2009, as shown in Table 1.

**Teton County Hospital District
d/b/a St. John's Medical Center
Management's Discussion and Analysis
(Unaudited)
Years Ended June 30, 2011 and 2010**

Table 1: Assets, Liabilities and Net Assets

	FY 2011	FY 2010	FY 2009
Assets			
Cash and cash equivalents	\$ 29,569,390	\$ 23,982,159	\$ 10,926,320
Patient accounts receivable, net	8,954,263	10,641,061	10,691,817
Other current assets	6,055,295	5,134,727	9,330,783
Noncurrent cash and investments	7,688,253	9,345,663	9,976,944
Capital assets, net	54,566,403	53,448,539	54,506,002
Other assets	288,966	329,917	367,099
Total assets	<u>\$ 107,122,570</u>	<u>\$ 102,882,066</u>	<u>\$ 95,798,965</u>
Liabilities			
Other current liabilities	\$ 8,064,090	\$ 8,278,192	\$ 6,990,394
Long-term debt outstanding	17,016,564	21,297,313	21,601,617
Other long-term liabilities	1,185,000	790,000	790,000
Total liabilities	<u>26,265,654</u>	<u>30,365,505</u>	<u>29,382,011</u>
Net Assets			
Invested in capital assets, net of related debt	39,813,849	34,589,724	36,017,815
Unrestricted	41,043,067	37,926,837	30,399,139
Total net assets	<u>80,856,916</u>	<u>72,516,561</u>	<u>66,416,954</u>
Total liabilities and net assets	<u>\$ 107,122,570</u>	<u>\$ 102,882,066</u>	<u>\$ 95,798,965</u>

Significant Changes

In completing a review of Table 1, the reader will notice significant changes in cash and cash equivalents and long-term debt outstanding as well as notable changes in patient accounts receivable and noncurrent cash and investments.

- During fiscal year 2011, a \$2 million donation was received from the Foundation in order to partially defease the long-term debt related to the series 2002 bond issuance. This defeasance occurred towards the end of fiscal year 2011 and resulted in an accelerated decrease to long-term debt outstanding. In addition, \$931,000 was collected in Specific Purpose Excise Taxes, which will be explicitly used towards construction of the District's expansion and remodel project, and \$567,000 was received from the Foundation to be put towards the new CT scanner and hospital beds. Furthermore, the decrease in patient accounts receivable corresponds to the increase in cash and cash equivalents and attests to the fact that the revenue cycle has been streamlined and collections have been more proficient. During the prior fiscal year 2010, a \$5 million short-term certificate of deposit matured and was deposited into a money market account. This accounted for a portion of the previous year's increase to cash and cash equivalents and corresponding decrease to other current assets.

**Teton County Hospital District
d/b/a St. John's Medical Center
Management's Discussion and Analysis
(Unaudited)
Years Ended June 30, 2011 and 2010**

- The decrease in noncurrent cash and investments was due to dissolving a partnership with the Jackson Hole Community Housing Trust to build additional employee homes. Due to a change in objectives, the project has been sidelined and the investment, which was land, has been transferred to capital assets, which accounted for most of the increase in that line item.

Table 2: Operating Results and Changes in Net Assets

	2011	2010	2009
Operating Revenues			
Net patient service revenues, net of provision for uncollectible accounts; 2011 - \$4,521,549, 2010 - \$5,959,113 and 2009 - \$4,666,313	\$ 64,215,134	\$ 61,909,746	\$ 59,214,566
Other operating revenues	4,739,672	4,795,917	4,577,696
Total operating revenues	<u>68,954,806</u>	<u>66,705,663</u>	<u>63,792,262</u>
Operating Expenses			
Salaries and benefits	36,285,184	34,604,340	33,163,500
Purchased services and physician fees	10,165,438	9,724,519	13,031,380
Supplies	11,307,357	10,806,756	8,065,716
Other expenses	4,914,608	5,200,777	4,874,715
Depreciation and amortization	5,147,977	4,825,646	4,884,603
Total operating expenses	<u>67,820,564</u>	<u>65,162,038</u>	<u>64,019,914</u>
Operating Income (Loss)	<u>1,134,242</u>	<u>1,543,625</u>	<u>(227,652)</u>
Nonoperating Expenses			
Interest expense	1,303,449	1,370,800	1,375,989
Loss on defeasance of long-term debt	248,123	-	-
Total nonoperating expenses	<u>1,551,572</u>	<u>1,370,800</u>	<u>1,375,989</u>
Income (Loss) After Interest Expense and Loss on Defeasance of Long-term debt Before Other Nonoperating Revenues (Expenses)	<u>(417,330)</u>	<u>172,825</u>	<u>(1,603,641)</u>
Other Nonoperating Revenues (Expenses)			
Property taxes	3,979,373	4,280,043	4,191,671
Interest income	665,589	729,515	763,608
Investment income from other long-term investments	42,562	106,887	168,779
Gain (loss) on disposal of capital assets	<u>(31,598)</u>	<u>(428,431)</u>	<u>21,398</u>
Net nonoperating revenues (expenses)	<u>4,655,926</u>	<u>4,688,014</u>	<u>5,145,456</u>
Excess of Revenues Over Expenses Before Capital Contributions and Specific Purpose Excise Tax	4,238,596	4,860,839	3,541,815
Capital Contributions	3,170,287	1,238,768	722,987
Specific Purpose Excise Tax	931,472	-	-
Increase in Net Assets	<u>\$ 8,340,355</u>	<u>\$ 6,099,607</u>	<u>\$ 4,264,802</u>

**Teton County Hospital District
d/b/a St. John's Medical Center
Management's Discussion and Analysis
(Unaudited)
Years Ended June 30, 2011 and 2010**

Operating Results and Changes in the Medical Center's Net Assets

In 2011, the District's increase in net assets was \$8,340,355, as shown in Table 2. This increase is made up of the following components:

Operating Income

The first component of the overall change in the District's net assets is its operating income or loss, generally, the difference between net patient service revenue and the expenses incurred to perform those services. The District had operating income of \$1,134,242 for fiscal year 2011 and it had operating increase of \$1,543,625 for fiscal year 2010.

- The key component of the District's operating income can be attributed to total operating revenues which grew to \$69.0 million in fiscal year 2011 from \$66.7 million in fiscal year 2010. This represents an increase of \$2.3 million, or 3.4%. The growth is predominantly attributable to a few things:
 - A full complement of orthopedic, ENT and general surgeons, who moved to the community and have been working closely with the District over the past couple of years. Surgical minutes are the key driver of direct revenue in the surgical department. Utilization statistics indicate that although inpatient surgical time decreased 6% from fiscal year 2010 to fiscal year 2011, outpatient surgical minutes increased by 7% during the same time period.
 - As a direct result of this increase in surgeries, not only did outpatient surgical revenue increase, but the District's outpatient supply revenue, primarily composed of items utilized in these procedures, produced a corresponding growth.
 - The continued growth of the St. John's Physician Services. The current practices started at various times during fiscal year 2009, thus, fiscal year 2010 was a building year, and during fiscal year 2011 they had the opportunity to expand their base and hit their stride. For example, the Urgent Care / Family Health practice finished fiscal year 2011 with 9,508 visits, a 44% increase over the 6,589 patients seen during fiscal year 2010.
- Correlating to the 3.4% increase in revenue, the District had a reasonable 4.1% increase in expenses during 2011 as discussed below. This is attributable to the management and staff's continued focus on controlling costs by increasing efficiency and improving employee productivity.
 - The majority of the 4.9% increase in salaries and benefits from fiscal year 2010 to fiscal year 2011 is attributed to an increase in the District's employee health insurance utilization. Unfortunately, the District, which is self-insured, experienced an unusually high number of high dollar cases during the year.
 - The increase to the cost of supplies is associated with the increase in surgeries and supply revenue previously discussed.

**Teton County Hospital District
d/b/a St. John's Medical Center
Management's Discussion and Analysis
(Unaudited)
Years Ended June 30, 2011 and 2010**

- The Foundation provides reimbursements to the District for items in addition to the contributions for equipment, debt service, and affordable employee housing of \$2,798,795 for 2011 and \$600,724 for 2010. The reimbursements include a transfer to the District for operating expenses, including staff compensation and other administration costs. These amounts were \$334,489 for 2011 and \$405,163 for 2010. The Foundation also provides support to the District for employee and nurse education, cognitive wellness, hospice, diabetes education and other health care related programs.

Due to a reclassification of expenses, purchased services and physician fees appear to have decreased significantly from fiscal year 2009 to 2010 while supplies appear to have increased. The change was actually associated with the classification of pharmacy exception drugs as supplies during fiscal year 2010 whereas they were previously classified as a component of the District's pharmacy management fees.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of interest income, interest expense, tax district revenue, loss on disposal of capital assets and loss on defeasement.

- Property tax revenue is levied on behalf of the District for general purposes. Due to decreased property values, which do not change in real time, this amount decreased by 7.0% during fiscal year 2011.
- Due to the defeasance of \$2 million of Series 2002 Hospital Revenue Bonds, the District had to record a loss on defeasance related to the present value of the securities escrowed to retire the \$2 million in bonds at their call date. This is a short term loss which will be more than recouped over the original life time of the bonds during which time we will realize a significant interest savings from the execution of the bond defeasement.

Capital Contributions

For the fiscal years ended 2011 and 2010, the District received \$3,170,287 and \$1,238,768 in donations, respectively. These donations were recognized through contributions from private donors (\$371,492 during FY 2011 and \$638,044 during FY 2010) and the Foundation (\$2,798,795 during FY 2011 and \$600,724 during FY 2010). The primary purposes for these resources are to fund the debt service, purchase selective medical equipment, provide affordable employee housing and to provide educational programs for employees of the District.

The increase in 2011 donations can be attributed to the \$2 million donation from the Foundation for the defeasement of \$2 million of the Series 2002 Hospital Revenue Bonds. Other exceptional Foundation donations include \$352,000 towards the new CT scanner and \$215,000 towards the new hospital beds. A gift in-kind of surgery related instruments and materials valued at \$352,000 went directly to the District along with cash contributions of \$19,000. Additional restricted donations that benefit the District are not included in the District's financial statements as they are paid directly from the Foundation. These contributions are accounted for in the St. John's Medical Center Foundation – Statement of Activities found on page 14 of the Financial Statements and

**Teton County Hospital District
d/b/a St. John's Medical Center
Management's Discussion and Analysis
(Unaudited)
Years Ended June 30, 2011 and 2010**

include contributions for nursing education, oncology, childcare supplies, and Living Center activities.

The District's Cash Flows

Changes in the District's operating cash flows are consistent with changes in operating income and nonoperating revenues and expenses, discussed earlier. Some noteworthy developments which had the effect of considerably increasing the cash and cash equivalents figure at June 30, 2011 were the tightening of capital acquisitions expenditures in anticipation of the voter approved construction remodel and the aforementioned SPET receipts.

Capital Asset and Debt Administration

Capital Assets

At year-end June 30, 2011 and 2010, the District had \$54.6 million and \$53.4 million, respectively, invested in capital assets, net of accumulated depreciation, as detailed in Note 7 to the financial statements. The District had \$6.3 million of additions during 2011. The capital expenditures were routine in nature with the exception of the \$1.6 million transfer of land from investments, previously discussed in the significant changes of the balance sheet, and the commencement of the remodel / expansion project to the Oncology, Surgery and Obstetrics departments.

Debt Administration

At fiscal year-end 2011, the District had \$18.5 million of outstanding debt. The majority of this debt is related to the issuance of the 1998 Series Hospital Revenue Refunding Bonds and 2002 Series Hospital Revenue Bonds. At June 30, 2011, the bond debt outstanding was \$6.3 million at a 5.8% interest rate and \$10.4 million at a 5.75% interest rate for the 1998 and 2002 Series, respectively. On April 30, 2010, the District entered into a capital lease obligation in order to finance the purchase of the CT scanner, the outstanding balance at June 30, 2011 was \$1.8 million. Please refer to Note 8 of the financial statements for a summary of long-term debt.

Contacting the District's Financial Management

This financial report is designed to provide our patients, suppliers, investors and creditors with a general overview of the District's finances and to the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Office of the Chief Financial Officer. Contact Information:

Email – jkren@tetonhospital.org.
Phone – 307.739.7526.

Address: – P.O. Box 428, 625 East Broadway, Jackson, Wyoming 83001.

Teton County Hospital District d/b/a St. John's Medical Center

Balance Sheets June 30, 2011 and 2010

Assets

	2011	2010
Current Assets		
Cash and cash equivalents	\$ 29,569,390	\$ 23,982,159
Assets held by trustee for debt services - current	1,499,506	1,562,488
Patient accounts receivable, net of allowance for contractually and uncollectible accounts; 2011 - \$8,693,900 and 2010 - \$8,933,517	8,954,263	10,641,061
Other receivables	1,989,744	999,703
Supplies	1,434,546	1,036,799
Prepaid expenses and other	1,131,499	1,535,737
Total current assets	44,578,948	39,757,947
Noncurrent Cash and Investments		
Assets held by trustee for debt service	2,974,525	2,968,133
Less amount required to meet current obligations	971,981	859,552
	2,002,544	2,108,581
Long-term certificates of deposit	5,000,000	5,000,000
Other long-term investments	685,709	2,237,082
Total noncurrent cash and investments	7,688,253	9,345,663
Capital Assets, Net	54,566,403	53,448,539
Other Assets		
Bond issuance costs, net	288,966	329,917
Total assets	\$ 107,122,570	\$ 102,882,066

Liabilities and Net Assets

	2011	2010
Current Liabilities		
Current maturities of long-term debt	\$ 1,499,506	\$ 1,562,488
Accounts payable	2,601,196	2,458,447
Accrued compensation, related taxes and benefits	3,119,419	3,512,956
Accrued interest payable	88,516	103,429
Estimated amounts due to Medicare	624,975	575,000
Other current liabilities	130,478	65,872
	<u>8,064,090</u>	<u>8,278,192</u>
Long-term Debt		
Hospital revenue bonds	15,620,563	18,461,517
Notes payable to banks	-	995,288
Capital lease obligations	1,396,001	1,840,508
	<u>17,016,564</u>	<u>21,297,313</u>
Other Long-term Liabilities		
	<u>1,185,000</u>	<u>790,000</u>
Total liabilities	<u>26,265,654</u>	<u>30,365,505</u>
Net Assets		
Invested in capital assets, net of related debt	39,813,849	34,589,724
Unrestricted	41,043,067	37,926,837
	<u>80,856,916</u>	<u>72,516,561</u>
Total net assets	<u>80,856,916</u>	<u>72,516,561</u>
Total liabilities and net assets	<u><u>\$ 107,122,570</u></u>	<u><u>\$ 102,882,066</u></u>

St. John's Medical Center Foundation
A Component Unit of Teton County Hospital District
Statements of Financial Position
June 30, 2011 and 2010

Assets

	2011	2010
Current Assets		
Cash and cash equivalents	\$ 2,445,858	\$ 4,734,313
Other Assets		
Cash and cash equivalents held for endowment fund	575,480	575,480
Investment in real estate	1,890,000	2,140,000
Property and equipment, net of accumulated depreciation	6,257	-
Art collection	266,590	266,590
Total other assets	2,738,327	2,982,070
Total assets	\$ 5,184,185	\$ 7,716,383

Liabilities and Net Assets

Liabilities		
Accounts payable	\$ 17,913	\$ -
Due to related parties	31,331	47,934
Total liabilities	49,244	47,934
Net Assets		
Unrestricted	1,308,718	1,415,092
Temporarily restricted	3,250,743	5,677,877
Permanently restricted	575,480	575,480
Total net assets	5,134,941	7,668,449
Total liabilities and net assets	\$ 5,184,185	\$ 7,716,383

**Teton County Hospital District
d/b/a St. John's Medical Center**
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2011 - \$4,521,549 and 2010 - \$5,959,113	\$ 64,215,134	\$ 61,909,746
Other operating income	<u>4,739,672</u>	<u>4,795,917</u>
Total operating revenues	<u>68,954,806</u>	<u>66,705,663</u>
Operating Expenses		
Salaries and wages	27,350,057	26,714,912
Employee benefits	8,935,127	7,889,428
Supplies	11,307,357	10,806,756
Purchased services - other	6,590,075	6,085,502
Physician fees	3,575,363	3,639,017
Repairs and maintenance	1,782,092	1,757,997
Utilities	947,996	942,614
Insurance	582,559	740,645
Lease and rental	644,187	787,895
Other expenses	957,774	971,626
Amortization	98,513	100,972
Depreciation	<u>5,049,464</u>	<u>4,724,674</u>
Total operating expenses	<u>67,820,564</u>	<u>65,162,038</u>
Operating Income	1,134,242	1,543,625
Nonoperating Expenses		
Interest expense	1,303,449	1,370,800
Loss on defeasance of long-term debt	<u>248,123</u>	<u>-</u>
Total nonoperating expenses	<u>1,551,572</u>	<u>1,370,800</u>
Income (Loss) After Interest Expense and Loss on Defeasance of Long-Term Debt Before Other Nonoperating Revenues (Expenses)	<u>(417,330)</u>	<u>172,825</u>
Other Nonoperating Revenues (Expenses)		
Property taxes	3,979,373	4,280,043
Interest income	665,589	729,515
Investment income from other long-term investments	42,562	106,887
Loss on disposal of capital assets	<u>(31,598)</u>	<u>(428,431)</u>
Net nonoperating revenues	<u>4,655,926</u>	<u>4,688,014</u>
Excess of Revenues Over Expenses Before Capital Contributions and Specific Purpose Excise Tax	<u>4,238,596</u>	<u>4,860,839</u>

**Teton County Hospital District
d/b/a St. John's Medical Center**

**Statements of Revenues, Expenses and Changes in Net Assets (continued)
Years Ended June 30, 2011 and 2010**

	2011	2010
Excess of Revenues Over Expenses Before Capital Contributions and Specific Purpose Excise Tax	4,238,596	4,860,839
Capital Contributions	3,170,287	1,238,768
Specific Purpose Excise Tax	931,472	-
Increase in Net Assets	8,340,355	6,099,607
Net Assets, Beginning of Year	72,516,561	66,416,954
Net Assets, End of Year	\$ 80,856,916	\$ 72,516,561

St. John's Medical Center Foundation
A Component Unit of Teton County Hospital District
Statement of Activities
Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Revenues, Gains and Other Support				
Annual appeal	\$ 181,770	\$ 139,273	\$ -	\$ 321,043
Old Bill's Fun Run	91,888	40,407	-	132,295
Employee contributions	-	650	-	650
Capital campaign/pledges	-	10,000	-	10,000
Memorials/hospice/honorariums	101,375	258,240	-	359,615
Grants/service clubs	-	97,050	-	97,050
Special events/auxiliary	17,500	169,789	-	187,289
Personal solicitations	6,000	48,325	-	54,325
Unsolicited individuals	923	25,187	-	26,110
Net assets released from restrictions	2,976,828	(2,976,828)	-	-
	<u>3,376,284</u>	<u>(2,187,907)</u>	<u>-</u>	<u>1,188,377</u>
Total revenues, gains and other support				
	<u>3,376,284</u>	<u>(2,187,907)</u>	<u>-</u>	<u>1,188,377</u>
Expenses				
Program expenses	3,353,144	-	-	3,353,144
Administrative expenses	94,489	-	-	94,489
Fundraising expenses	120,000	-	-	120,000
	<u>3,567,633</u>	<u>-</u>	<u>-</u>	<u>3,567,633</u>
Total expenses				
	<u>3,567,633</u>	<u>-</u>	<u>-</u>	<u>3,567,633</u>
Other Income (Expense)				
Interest income	63,025	10,773	-	73,798
Unrealized loss on investments	-	(250,000)	-	(250,000)
Other income	21,950	-	-	21,950
	<u>84,975</u>	<u>(239,227)</u>	<u>-</u>	<u>(154,252)</u>
Total other income (expense)				
	<u>84,975</u>	<u>(239,227)</u>	<u>-</u>	<u>(154,252)</u>
Change in Net Assets	(106,374)	(2,427,134)	-	(2,533,508)
Net Assets, Beginning of Year	<u>1,415,092</u>	<u>5,677,877</u>	<u>575,480</u>	<u>7,668,449</u>
Net Assets, End of Year	<u>\$ 1,308,718</u>	<u>\$ 3,250,743</u>	<u>\$ 575,480</u>	<u>\$ 5,134,941</u>

St. John's Medical Center Foundation
A Component Unit of Teton County Hospital District
Statement of Activities
Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Revenues, Gains and Other Support				
Annual appeal	\$ 285,942	\$ 131,251	\$ -	\$ 417,193
Old Bill's Fun Run	96,087	33,114	-	129,201
Employee contributions	-	2,352	-	2,352
Memorials/hospice/honorariums	5,350	83,900	-	89,250
Grants/service clubs	-	84,800	-	84,800
Special events/auxiliary	21,166	107,513	-	128,679
Personal solicitations	-	427,530	-	427,530
Net assets released from restrictions	1,039,972	(1,039,972)	-	-
Other donations	4,934	14,215	-	19,149
	<u>1,453,451</u>	<u>(155,297)</u>	<u>-</u>	<u>1,298,154</u>
Total revenues, gains and other support				
Expenses				
Program expenses	1,113,768	-	-	1,113,768
Administrative expenses	165,163	-	-	165,163
Fundraising expenses	120,000	-	-	120,000
	<u>1,398,931</u>	<u>-</u>	<u>-</u>	<u>1,398,931</u>
Total expenses				
Other Income				
Interest income	86,910	13,966	-	100,876
Dividend income	-	2,987	-	2,987
Unrealized gain on investments	-	26,189	-	26,189
Other income	24,000	-	-	24,000
	<u>110,910</u>	<u>43,142</u>	<u>-</u>	<u>154,052</u>
Total other income				
Change in Net Assets	165,430	(112,155)	-	53,275
Net Assets, Beginning of Year	<u>1,249,662</u>	<u>5,790,032</u>	<u>575,480</u>	<u>7,615,174</u>
Net Assets, End of Year	<u>\$ 1,415,092</u>	<u>\$ 5,677,877</u>	<u>\$ 575,480</u>	<u>\$ 7,668,449</u>

**Teton County Hospital District
d/b/a St. John's Medical Center
Statements of Cash Flows
Years Ended June 30, 2011 and 2010**

	2011	2010
Operating Activities		
Receipts from and on behalf of patients	\$ 65,951,907	\$ 62,104,502
Payments to suppliers and contractors	(24,939,095)	(23,532,900)
Payments to employees	(36,285,184)	(34,604,340)
Other receipts and payments, net	<u>2,049,157</u>	<u>2,872,829</u>
Net cash provided by operating activities	<u>6,776,785</u>	<u>6,840,091</u>
Noncapital Financing Activities		
Property taxes supporting operations	<u>3,979,373</u>	<u>4,280,043</u>
Net cash provided by noncapital financing activities	<u>3,979,373</u>	<u>4,280,043</u>
Capital and Related Financing Activities		
Proceeds from contributions restricted for investment in equipment	3,170,287	1,238,768
Principal paid on long-term debt	(4,362,777)	(2,088,398)
Interest paid on long-term debt	(1,284,403)	(1,363,601)
Loss on defeasance of long-term debt	(248,123)	-
Specific purpose excise tax	931,472	-
Purchase of capital assets	(6,300,920)	(2,853,632)
Proceeds from sale of deed - restricted property	395,000	-
Proceeds from sale of capital assets	<u>101,994</u>	<u>1,057,990</u>
Net cash used in capital and related financing activities	<u>(7,597,470)</u>	<u>(4,008,873)</u>
Investing Activities		
Proceeds from (purchase of) other investments	1,551,373	(6,470)
Proceeds from certificates of deposit	-	5,000,000
Change in value of assets held by trustee for debt service	169,019	114,646
Investment income from other long-term investments	42,562	106,887
Interest income	<u>665,589</u>	<u>729,515</u>
Net cash provided by investing activities	<u>2,428,543</u>	<u>5,944,578</u>
Increase in Cash and Cash Equivalents	5,587,231	13,055,839
Cash and Cash Equivalents, Beginning of Year	<u>23,982,159</u>	<u>10,926,320</u>
Cash and Cash Equivalents, End of Year	<u>\$ 29,569,390</u>	<u>\$ 23,982,159</u>

**Teton County Hospital District
d/b/a St. John's Medical Center
Statements of Cash Flows (continued)
Years Ended June 30, 2011 and 2010**

	2011	2010
Reconciliation of Operating Income to Net		
Cash Provided by Operating Activities		
Operating income	\$ 1,134,242	\$ 1,543,625
Items not requiring cash		
Amortization	98,513	100,972
Depreciation	5,049,464	4,724,674
Changes in		
Patient accounts receivable, net	1,686,798	50,756
Other receivables	(990,041)	(62,595)
Supplies	(397,747)	41,183
Accounts payable and accrued expenses	(265,701)	645,870
Estimated amounts due to Medicare	49,975	144,000
Other current assets and liabilities	411,282	(348,394)
	<u>\$ 6,776,785</u>	<u>\$ 6,840,091</u>
Net cash provided by operating activities	<u>\$ 6,776,785</u>	<u>\$ 6,840,091</u>
Supplemental Cash Flow Information		
Capital lease obligations incurred for capital assets	<u>\$ -</u>	<u>\$ 2,300,000</u>

Teton County Hospital District d/b/a St. John's Medical Center

Notes to Financial Statements

June 30, 2011 and 2010

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

St. John's Hospital was established in 1916 by the citizens of Jackson, Wyoming, with the backing of the Episcopal Church. It was originally a private, not-for-profit institution. On July 1, 1976, St. John's Hospital became Teton County Hospital District (the District). In June 2001, the Board of Trustees voted unanimously to refer to the District as St. John's Medical Center. The District's facility has 48 acute care beds and the nursing facility has 60 skilled nursing beds. The District is located in Jackson, Wyoming and is operated and controlled by a seven-member, publicly-elected Board of Trustees.

In accordance with accounting principles generally accepted in the United States of America, the financial statements present the District and its component unit, St. John's Medical Center Foundation (the Foundation). The component unit is included in the District's reporting entity because of the significance of its operational and financial relationship with the District in accordance with Statement No. 39 of the Governmental Accounting Standards Board (GASB), *Determining Whether Certain Organizations Are Component Units, an Amendment of GASB Statement 14*.

Discretely Presented Component Unit – St. John's Medical Center Foundation

The Foundation is a legally separate, tax-exempt component unit of the District. The Foundation was established in July 1999. Although the District does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds in investment are restricted to the activities of the District by the donors. Because these restricted resources held by the Foundation are primarily to be used by, or for the benefit of the District, the Foundation is considered a component unit of the District and is discretely presented in the District's financial statements.

During the years ended June 30, 2011 and 2010, the Foundation distributed \$2,636,556 and \$614,110, respectively, to the District to fund the payment requirements of the Series 2002 Revenue Bonds, operations and capital projects.

The Foundation is a private not-for-profit organization that reports under Accounting Standards Codification (ASC), including ASC Topic 958, *Not-for-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's statements in the District's financial reporting entity for these differences.

Complete financial statements of the Foundation may be obtained by contacting the District's Executive Office at Phone – 307.739.7526. Address: – P.O. Box 428, 625 East Broadway, Jackson, Wyoming 83001.

Teton County Hospital District d/b/a St. John's Medical Center

Notes to Financial Statements

June 30, 2011 and 2010

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Basis of Accounting and Presentation

The financial statements of the District have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants and county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific, such as county appropriations, property taxes, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The District first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

The District prepares its financial statements as a business-type activity in conformity with applicable pronouncements of GASB. Pursuant to GASB Statement No. 20, the District has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) that were issued on or before November 30, 1989, and do not conflict with or contradict GASB pronouncements.

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.

Cash Equivalents

The District considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2011 and 2010, cash equivalents consisted primarily of money market accounts with brokers.

Property Tax Revenues

The District received 5% and 6% of its financial support from ad valorem taxes for the years ended June 30, 2011 and 2010, respectively. Taxes are levied in August for the calendar year and are received by the County in September and March (of the following year) and become delinquent after May of the following year.

During 2011, Teton County passed a ballot initiative awarding the District a Specific Purpose Excise Tax. This revenue will be used to fund the costs associated with future renovations. This Specific Purpose Excise Tax is expected to provide the District with \$11,800,000 in revenues over the course of 4 years. The District has recognized revenue of \$931,472 as of June 30, 2011.

Teton County Hospital District d/b/a St. John's Medical Center

Notes to Financial Statements

June 30, 2011 and 2010

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Investments and Investment Income

Investments in U.S. Treasury, U.S. Agency and instrumentality obligations with a remaining maturity of one year or less at the time of acquisition and nonnegotiable certificates of deposit are carried at amortized cost. Investments in equity investees are reported on the equity method of accounting. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes dividend and interest income, realized gains and losses on investments carried at other than fair value and the net change for the year in the fair value of investments carried at fair value.

Assets Held by Trustee for Debt Service

Assets limited as to use include assets set aside by the Board of Trustees for future bond principal and interest payments over which the Board retains control and may, at its discretion, subsequently use for other purposes. Amounts required to meet current liabilities of the District are included in current assets.

Noncurrent Cash and Investments

Noncurrent cash and investments include (1) long-term certificate of deposits, (2) non-controlling interest in investments and (3) assets held by trustees for debt service requirements. Amounts required to meet current liabilities of the District are included in current assets.

Patient Accounts Receivable

The District reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The District provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. As a service to the patient, the District bills third-party payers directly and bills the patient when the patient's liability is determined. Patient accounts receivable are ordinarily due in full when billed. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the patient or third-party payer.

Supplies

Supply inventories, other than medical supplies, are stated at cost, determined using the first-in, first-out basis.

Teton County Hospital District d/b/a St. John's Medical Center

Notes to Financial Statements

June 30, 2011 and 2010

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair value at the date of donation, if acquired by gift. Depreciation is computed on a straight-line basis over the estimated useful life of each asset following guidelines of the American Hospital Association. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the District:

Land improvements	15 to 20 years
Buildings and building improvements	20 to 40 years
Equipment, computers and furniture	3 to 7 years

Bond Issuance Costs

Bond issuance costs are being amortized over the lives of the bonds using the bonds' outstanding method.

Compensated Absences

The District's policies permit most employees to accumulate paid time-off benefits. Expense and the related liability are recognized as benefits are earned. Compensated absence liabilities are computed using the regular pay rates in effect at the balance sheet date, plus an additional amount for compensation-related payments, such as Social Security and Medicare taxes computed using rates in effect at that date.

Net Assets

Net assets of the District are classified in two components. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Unrestricted net assets are remaining net assets that do not meet the definition of invested in capital assets, net of related debt or restricted-expendable net assets.

Net Patient Service Revenue

The District has agreements with third-party payers that provide for payments to the District at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Teton County Hospital District d/b/a St. John's Medical Center

Notes to Financial Statements

June 30, 2011 and 2010

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Charity Care

The District provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the District does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

Income Taxes

As an essential government function, the District is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the District is subject to federal income tax on any unrelated business taxable income.

Subsequent Events

Subsequent events have been evaluated through October 25, 2011, which is the date the financial statements were available to be issued.

Note 2: Charity Care and Other Community Benefits

Charges excluded from revenue under the District's charity care policy were \$3,061,835 and \$3,584,885 for 2011 and 2010, respectively.

Note 3: Net Patient Service Revenue

The District has agreements with third-party payers that provide for payments to the District at amounts different from its established rates. These payment arrangements include:

Medicare. Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient nonacute services and certain outpatient services related to Medicare beneficiaries are paid based on a combination of fee schedules and a cost reimbursement methodology. The District is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. Effective August 2000, substantially all cost reimbursed outpatient services became subject to a prospective payment system. Under this system, payments to the District are based on a predetermined package rate based on services provided to patients.

Teton County Hospital District d/b/a St. John's Medical Center

Notes to Financial Statements June 30, 2011 and 2010

Note 3: Net Patient Service Revenue - Continued

Medicaid. Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient nonacute services and certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The District is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary.

Gross patient service revenues from participation in the Medicare and state-sponsored Medicaid programs was approximately 36% and 35% for the years ended June 30, 2011 and 2010, respectively. Net patient service revenues from participation in the Medicare and state-sponsored Medicaid programs was approximately 23% for both years ended June 30, 2011 and 2010. Laws and regulations governing Medicare and Medicaid are complex and subject to change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

Note 4: Patient Accounts Receivable

The District grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. Patient accounts receivable at June 30, 2011 and 2010 consisted of:

	2011	2010
Medicare	\$ 4,478,467	\$ 4,524,524
Medicaid	974,705	1,016,411
Other third-party payers	7,401,485	7,299,167
Patients	4,793,506	6,734,476
	17,648,163	19,574,578
Less allowance for contractals and uncollectible amounts	8,693,900	8,933,517
	\$ 8,954,263	\$ 10,641,061

Teton County Hospital District d/b/a St. John's Medical Center

Notes to Financial Statements

June 30, 2011 and 2010

Note 5: Deposits, Assets Limited as to Use, Investments and Investment Income

Deposits

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

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. Agencies or instrumentalities or the State of Wyoming; bonds of any city, county, school district or special road district of the State of Wyoming; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

Wyoming requires financial institutions to collateralize any uninsured public deposits. Any excess of deposits over FDIC limit that is not insured is covered by collateral pledged by the financial institution.

At June 30, 2011 and 2010, \$37,711,539 and \$30,046,876, respectively, of the District's bank balances of \$39,108,239 and \$33,291,513, respectively, were not FDIC insured but were collateralized by the pledging financial institution's trust department.

Investments

The District may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury, U.S. Agencies and instrumentalities. It may also invest, to a limited extent, in corporate bonds and equity securities. The District has a formal investment policy in place.

At June 30, 2011 and 2010, the District's investments, excluding other long-term investments, consisted of money markets with fair values of \$2,974,525 and \$2,968,133, respectively.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2011 and 2010, the District's investments were held in money market accounts and were not exposed to credit risk.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District was not exposed to custodial credit risk at June 30, 2011 and 2010.

**Teton County Hospital District
d/b/a St. John's Medical Center**

**Notes to Financial Statements
June 30, 2011 and 2010**

Note 5: Deposits, Assets Limited as to Use, Investments and Investment Income - Continued

Concentration of Credit Risk

The District places no limit on the amount that may be invested in any one issuer. At June 30, 2011 and 2010, no concentration of credit risk existed.

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the balance sheets as follows:

	2011	2010
Carrying value		
Deposits	\$ 38,068,419	\$ 32,650,007
Cash on hand	3,021	3,221
	\$ 38,071,440	\$ 32,653,228
 Included in the following balance sheet captions		
Cash and cash equivalents	\$ 29,569,390	\$ 23,982,159
Assets held by trustee for debt service - current	1,499,506	1,562,488
Assets held by trustee for debt service	2,002,544	2,108,581
Long-term certificates of deposit	5,000,000	5,000,000
	\$ 38,071,440	\$ 32,653,228

Note 6: Investment in Long-term Investments

The District holds a noncontrolling interest in Teton MRI, LLC (MRI of Jackson Hole). MRI of Jackson Hole was formed for the purpose of purchasing and operating a Magnetic Resonance Imaging (MRI) facility at the District. The District's investment for the years ended June 30, 2011 and 2010 is \$480,351 and \$399,134, respectively.

Teton County Hospital District d/b/a St. John's Medical Center

Notes to Financial Statements June 30, 2011 and 2010

Note 6: Investment in Long-term Investments - Continued

Condensed financial information of MRI of Jackson Hole as of June 30 is as follows:

	2011	2010
	Unaudited	Unaudited
Current assets	\$ 1,159,377	\$ 926,936
Property and equipment	143,707	320,372
Total assets	\$ 1,303,084	\$ 1,247,308
Note payable	\$ 66,022	\$ 219,406
Members' equity	1,237,062	1,027,902
	\$ 1,303,084	\$ 1,247,308

As of June 30, 2010, the District held a non-controlling interest in Redmond Hansen, LLC.

During 2011, the District dissolved the partnership in Redmond Hansen, LLC. Redmond Hansen, LLC was formed for the purpose of purchasing property to house or have the capability to offer housing to approximately 25% of the employee base. The District's investment for the year ended June 30, 2010 was \$1,646,281.

In conjunction with the dissolution of the partnership, the District recorded their interest in the capital assets with the remaining being a loss of \$82,462.

Condensed financial information of Redmond Hansen, LLC as of June 30, 2010 is as follows:

	2010
	Unaudited
Current assets	\$ 42
Property and equipment	3,423,759
Total assets	\$ 3,423,801
Current liabilities	\$ 9,172
Note payable	252,310
Members' equity	3,162,319
	\$ 3,423,801

Long-term investments also include the District's capital in the Reciprocal Risk Retention Group as described in Note 10.

Teton County Hospital District d/b/a St. John's Medical Center

Notes to Financial Statements June 30, 2011 and 2010

Note 7: Capital Assets

Capital assets activity for the years ended June 30, 2011 and 2010 was:

	2011				
	Beginning Balance	Additions	Disposals and Retirements	Transfers	Ending Balance
Land and land improvements	\$ 12,262,499	\$ 1,637,500	\$ -	\$ 3,175	\$ 13,903,174
Buildings and leasehold improvements	52,289,196	368,693	(5,946)	325,361	52,977,304
Equipment	37,739,732	2,296,573	(4,156,534)	511,403	36,391,174
Construction in progress	689,635	1,998,154	-	(839,939)	1,847,850
	<u>102,981,062</u>	<u>6,300,920</u>	<u>(4,162,480)</u>	<u>-</u>	<u>105,119,502</u>
Less accumulated depreciation					
Land improvements	1,559,780	34,138	-	-	1,593,918
Buildings and leasehold improvements	21,662,496	1,887,274	(5,302)	-	23,544,468
Equipment	26,310,247	3,128,052	(4,023,586)	-	25,414,713
	<u>49,532,523</u>	<u>5,049,464</u>	<u>(4,028,888)</u>	<u>-</u>	<u>50,553,099</u>
Capital assets, net	<u>\$ 53,448,539</u>	<u>\$ 1,251,456</u>	<u>\$ (133,592)</u>	<u>\$ -</u>	<u>\$ 54,566,403</u>
	2010				
	Beginning Balance	Additions	Disposals and Retirements	Transfers	Ending Balance
Land and land improvements	\$ 12,991,609	\$ 6,487	\$ (840,914)	\$ 105,317	\$ 12,262,499
Buildings and leasehold improvements	52,479,854	23,483	(556,665)	342,524	52,289,196
Equipment	35,688,604	1,003,726	(2,419,707)	3,467,109	37,739,732
Construction in progress	484,649	4,119,936	-	(3,914,950)	689,635
	<u>101,644,716</u>	<u>5,153,632</u>	<u>(3,817,286)</u>	<u>-</u>	<u>102,981,062</u>
Less accumulated depreciation					
Land improvements	1,523,803	35,977	-	-	1,559,780
Buildings and leasehold improvements	19,836,978	1,898,197	(72,679)	-	21,662,496
Equipment	25,777,933	2,790,500	(2,258,186)	-	26,310,247
	<u>47,138,714</u>	<u>4,724,674</u>	<u>(2,330,865)</u>	<u>-</u>	<u>49,532,523</u>
Capital assets, net	<u>\$ 54,506,002</u>	<u>\$ 428,958</u>	<u>\$ (1,486,421)</u>	<u>\$ -</u>	<u>\$ 53,448,539</u>

Teton County Hospital District d/b/a St. John's Medical Center

Notes to Financial Statements June 30, 2011 and 2010

Note 8: Long-term Debt

The following is a summary of long-term obligation transactions for the District for the years ended June 30, 2011 and 2010:

	2011				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Series 2002 Hospital Revenue Bonds	\$ 12,545,000	\$ -	\$ (2,085,000)	\$ 10,460,000	\$ 300,000
Series 1998 Hospital Revenue Refunding Bonds	6,990,000	-	(705,000)	6,285,000	755,000
Notes payable to banks	1,144,648	-	(1,144,648)	-	-
Capital lease obligations	2,268,636	-	(428,129)	1,840,507	444,506
	<u>22,948,284</u>	<u>-</u>	<u>(4,362,777)</u>	<u>18,585,507</u>	<u>\$ 1,499,506</u>
Less					
Bond discount, Series 2002, net of amortization	87,023	-	(18,777)	68,246	
Bond discount, Series 1998, net of amortization	1,460	-	(269)	1,191	
Total long-term debt	<u>\$ 22,859,801</u>	<u>\$ -</u>	<u>\$ (4,343,731)</u>	<u>\$ 18,516,070</u>	
	2010				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Series 2002 Hospital Revenue Bonds	\$ 12,810,000	\$ -	\$ (265,000)	\$ 12,545,000	\$ 280,000
Series 1998 Hospital Revenue Refunding Bonds	7,660,000	-	(670,000)	6,990,000	705,000
Notes payable to banks	2,204,875	-	(1,060,227)	1,144,648	149,360
Capital lease obligations	61,807	2,300,000	(93,171)	2,268,636	428,128
	<u>22,736,682</u>	<u>2,300,000</u>	<u>(2,088,398)</u>	<u>22,948,284</u>	<u>\$ 1,562,488</u>
Less					
Bond discount, Series 2002, net of amortization	93,917	-	(6,894)	87,023	
Bond discount, Series 1998, net of amortization	1,765	-	(305)	1,460	
Total long-term debt	<u>\$ 22,641,000</u>	<u>\$ 2,300,000</u>	<u>\$ (2,081,199)</u>	<u>\$ 22,859,801</u>	

Teton County Hospital District d/b/a St. John's Medical Center

Notes to Financial Statements

June 30, 2011 and 2010

Note 8: Long-term Debt - Continued

Series 2002 Hospital Revenue Bonds

Hospital Revenue Bonds, Series 2002 were issued at \$18,630,000 and secured by the District's net pledged revenues. The bonds include Serial Bonds that mature through 2013 with semi-annual interest payments at rates ranging from 5.0% to 6.0%. Term Bonds that mature in 2022 and 2027 incur interest at 6.75%. The District is required under the terms of the indenture to maintain certain funds in reserve, which are included in noncurrent cash and investments. During the year, the Foundation provided the Hospital with \$2,000,000 earmarked to pay down future debt obligations on the 2027 maturity of 2002 bonds. The District used these funds to defease a portion of the 2002 bonds resulting in a loss on defeasement of \$248,123.

Series 1998 Hospital Revenue Refunding Bonds

Hospital Refunding and Improvement Revenue Bonds, Series 1998 were issued at \$13,290,000 and secured by the District's net pledged revenues. The bonds include Serial Bonds that matured through 2009 with semi-annual interest payments at rates ranging from 4.25% to 5.85%. Term Bonds that mature in 2017 incur interest at 5.8%. The District is required, under the terms of the indenture, to maintain certain funds in reserve, which are included in noncurrent cash and investments. The bond issuance was used to refund, pay and discharge the principal and interest on the 1989 Bonds and 1992A Bonds as they came due. Net proceeds of approximately \$8,000,000 were deposited in an irrevocable escrow account, which will be solely available to pay debt service on the 1989 and 1992A Bonds. Accordingly, the 1989 and 1992A bonds are considered defeased and do not appear as a liability in the accompanying balance sheets.

Series 2011 Hospital Revenue Refunding Bonds

Subsequent to June 30, 2011, the District issued 2011 Revenue Refunding Bonds (Series A&B). The Series 2011A Revenue Refunding bonds were issued for \$4,940,000, which was used to refund the 1998 bonds, including any costs of issuance. The Series 2011B Revenue Refunding Bonds were issued for \$23,160,000, of which \$9,236,892 was used to refund the 2002 bonds; \$11,150,000 was new money to fund the voter approved expansion project, and the remaining \$2,773,108 was used to fund the required reserve fund and bond issuance costs.

**Teton County Hospital District
d/b/a St. John's Medical Center**

**Notes to Financial Statements
June 30, 2011 and 2010**

Hospital Revenue Bonds

The debt service requirements as of June 30, 2011 are as follows:

Year Ending June 30	Total to be Paid	Bond Principal	Bond Interest
2012	\$ 2,095,291	\$ 1,055,000	\$ 1,040,291
2013	2,098,091	1,120,000	978,091
2014	2,096,438	1,185,000	911,438
2015	2,060,723	1,220,000	840,723
2016	1,745,233	980,000	765,233
2017-2021	7,617,337	4,590,000	3,027,337
2022-2026	6,779,315	5,215,000	1,564,315
2027-2028	1,480,913	1,380,000	100,913
	<u>\$ 25,973,341</u>	<u>\$ 16,745,000</u>	<u>\$ 9,228,341</u>

Notes Payable to Banks

Two notes were assumed during 2009 with the purchase of the Family Health/Urgent Care Clinic totaling \$2,286,049. The notes were due June 29, 2027 and October 1, 2027, with principal and interest ranging from 5.7% to 7.5% paid monthly. The notes were secured by accounts held with the lending institution and property received in the purchase of the Urgent Care Practice. Both notes were paid off in full as of June 30, 2011.

**Teton County Hospital District
d/b/a St. John's Medical Center
Notes to Financial Statements
June 30, 2011 and 2010**

Capital Lease Obligations

The District entered into a new capital lease during 2010 at an imputed interest rate of 3.76%. The following is a schedule by year of future minimum lease payments under the capital lease including interest together with the present value of the future minimum lease payments as of June 30, 2011:

Year Ending June 30		
2012	\$	506,103
2013		506,103
2014		506,103
2015		<u>463,927</u>
Total minimum lease payments		1,982,236
Less amount representing interest		<u>141,729</u>
Present value of future minimum lease payments	\$	<u><u>1,840,507</u></u>

Capital assets include the following under capital leases at June 30, 2011 and 2010:

	2011	2010
Cost	\$ 2,554,213	\$ 2,554,213
Less accumulated depreciation	<u>589,037</u>	<u>79,472</u>
	<u><u>\$ 1,965,176</u></u>	<u><u>\$ 2,474,741</u></u>

Teton County Hospital District d/b/a St. John's Medical Center

Notes to Financial Statements June 30, 2011 and 2010

Note 9: Risk Management

The District is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; employee disability and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than those related to employee health care benefits. Settled claims have not exceeded any commercial insurance coverage in any of the three preceding years. The District partially self-insures the cost of employee health care benefits as it purchases annual stop-loss insurance coverage for all claims in excess of \$85,000 per claim. Liabilities on the balance sheets include an accrual for claims that have been incurred but not reported. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, frequency of claims and other economic and social factors. Claim liability outstanding at June 30, 2011 and 2010 was \$567,532 and \$567,344, respectively, and is included in accrued compensation, related taxes and benefits on the balance sheets.

Activity in the District's estimated accrued employee health claims liability during 2011 and 2010 is summarized as follows:

	2011	2010
Estimated accrued employee health claims liability balance, beginning of year	\$ 567,344	\$ 434,000
Current year claims incurred and changes in estimates for claims incurred in prior years	(5,716,916)	(4,618,762)
Claims and expenses paid	5,717,104	4,752,106
Estimated accrued employee health claims liability balance, end of year	\$ 567,532	\$ 567,344

Note 10: Medical Malpractice Claims

Effective July 1, 2003, the District entered into a captive insurance arrangement with Mountain States Healthcare Reciprocal Risk Retention Group to purchase malpractice insurance coverage under a claims-made policy. The District pays estimated premiums prior to the effective date of the policy and the premiums are adjusted at the end of the policy period when complete information is available. The District paid premiums of \$143,314 and \$323,596 in 2011 and 2010, respectively. The District, a 5% owner in the group, has capital of \$205,358 and \$191,667 as of June 30, 2011 and 2010, respectively. The District is not aware of any unasserted claims; unreported incidents or claims outstanding which are expected to exceed malpractice insurance coverage limits as of June 30, 2011.

Teton County Hospital District d/b/a St. John's Medical Center

Notes to Financial Statements

June 30, 2011 and 2010

Note 11: Pension Plan

The District has established defined contribution plans (401(a), 403(b) and 457(b)) for employees of the District, which are administered by MetLife, Inc. Pension expense is recorded for the amount of the District's required contributions and administrative fees determined in accordance with the terms of each plan. Benefit provisions are contained in the plan documents and, where established, can be amended by action of the Chief Financial Officer or the Director of Human Resources, with notification to the Finance Committee.

The 401(a) plan is a retirement plan established by qualified employers, such as the District, for employer contributions. An employee is required to have at least one year of employment and 1,000 hours of service during a 12-month period (250 hours of service in the preceding quarter) in order to be eligible. The District contributes 4% of the employee's compensation. Covered employees are 100% vested in the plan after four years of employment.

The 403(b) plan, also known as a tax-sheltered annuity plan, is a retirement plan for employees of specific tax-exempt organizations such as health care organizations and universities and the employee is 100% vested as of their first contribution. An employee is required to work at least 40 hours per pay period to be eligible for the 403(b) plan.

For individuals who reach the \$16,500 403(b) contribution limit or otherwise have negotiated additional compensation in their employment contract, the District also makes available a 457(b) employee contribution plan. The 457(b) is a type of nonqualified tax advantaged deferred-compensation retirement plan that is available for governmental and certain nongovernmental employers.

Total employer 401(a) and 457(b) plan contributions for the years ended June 30, 2011 and 2010 were \$924,030 and \$819,850, respectively. Employee contributions for the years ended June 30, 2011 and 2010 were \$1,217,515 and \$1,068,266, respectively. Contribution rates to all plans for the District and plan members expressed as a percentage of covered payrolls were 4.4% and 3.4% for 2011 and 4.0% and 3.1% for 2010, respectively.

Note 12: Contingencies

Litigation

The District is at times involved in litigation arising in the normal course of business. Management has consulted with legal counsel and estimates that these matters will be resolved without a material impact on the operations or financial position of the District.

Teton County Hospital District d/b/a St. John's Medical Center

Notes to Financial Statements

June 30, 2011 and 2010

Note 13: Other Long-term Liabilities

The District purchased property in the county that it is selling to employees under a deed restriction. The deed restriction states that the District has the first option to buy back the property at the time that the employee terminates employment with the District at a particular amount. The repurchase amount is the lesser of a maximum resale price equal to the purchase price, plus a 5.0% adjustment compounded annually for each full year of ownership by the employee or an appraised purchase option price of 52.3% of the market value of the property as determined by an appraisal. Under generally accepted accounting principles, the assets remain on the books of the District. The liability represents the repurchase agreement per the restricted deed for the units sold to employees during the fiscal year 2009. One additional agreement was initiated during fiscal year 2011 with a 2.5% resale adjustment.

Note 14: Disclosures Regarding St. John's Medical Center Foundation

Nature of Activities and Summary of Significant Accounting Policies

Contributions and Promises to Give

Contributions received and receivable are recorded as unrestricted, temporarily restricted or permanently restricted depending on the existence or nature of any donor-imposed restrictions.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are transferred to unrestricted net assets in the statements of activities.

Unconditional promises to give are recognized as revenue in the period the promise is received and are measured at fair value. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Federal Income Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income. The Foundation is no longer subject to federal or state income tax examinations by taxing authorities for returns prior to 2008.

**Teton County Hospital District
d/b/a St. John's Medical Center**

Notes to Financial Statements

June 30, 2011 and 2010

**Note 14: Disclosures Regarding St. John's Medical Center Foundation -
Continued**

Fundraising Costs

Fundraising costs are expensed as incurred.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by the Foundation has been limited by donors to a specific time period or purpose. The Foundation's statement of activities includes the changes in those temporarily restricted assets.

Permanently Restricted (Endowments) Net Assets

Permanently restricted net assets have been restricted by donors to be maintained by the Foundation in perpetuity. The Foundation's statement of activities includes changes in those permanently restricted assets.

**Teton County Hospital District
d/b/a St. John's Medical Center**

**Notes to Financial Statements
June 30, 2011 and 2010**

**Note 14: Disclosures Regarding St. John's Medical Center Foundation -
Continued**

Temporarily Restricted Net Assets

The nature and amounts for the temporarily restricted net assets fund are as follows:

	2011	2010
	<u> </u>	<u> </u>
Betty Lemon	\$ 50,934	\$ 50,934
Capital equipment	135,331	270,931
Cardiac fund	25,000	-
Caring for the Future	2,014,073	4,395,740
Chemotherapy	121,213	123,053
Chemotherapy patients	87,472	65,064
Community Health Initiative	35,000	30,000
Cognitive wellness	62,594	78,851
Diabetes education	87,225	61,694
Endowment interest income reclassification	166,682	157,970
Hospice	100,164	116,410
Living center	32,614	23,564
Mary Mead Fund	35,223	44,904
Nursing education	100,247	120,241
Obstetrics	24,667	21,692
Pediatric audiology	37,805	-
Pediatric cardiology	35,973	35,973
Radiology	28,138	30,684
WHCF/Susan G. Komen/Mammography	29,525	-
Categories under \$20,000	<u>40,863</u>	<u>50,172</u>
 Total	 <u><u>\$ 3,250,743</u></u>	 <u><u>\$ 5,677,877</u></u>

Teton County Hospital District d/b/a St. John's Medical Center

Notes to Financial Statements

June 30, 2011 and 2010

Note 14: Disclosures Regarding St. John's Medical Center Foundation - Continued

Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also specifies 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 that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Following is a description of the inputs and valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. The Organization did not hold any Level 1 securities as of June 30, 2011 and 2010. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows and are classified within Level 2 of the valuation hierarchy. The Organization did not hold any Level 2 securities as of June 30, 2011 and 2010. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy and includes an investment held in real estate.

**Teton County Hospital District
d/b/a St. John's Medical Center**

**Notes to Financial Statements
June 30, 2011 and 2010**

**Note 14: Disclosures Regarding St. John's Medical Center Foundation -
Continued**

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2011 and 2010:

		2011			
		Fair Value Measurements Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Fair Value					
Investment in real estate	\$ 1,890,000	\$ -	\$ -	\$ 1,890,000	
		2010			
		Fair Value Measurements Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Fair Value					
Investment in real estate	\$ 2,140,000	\$ -	\$ -	\$ 2,140,000	

Teton County Hospital District d/b/a St. John's Medical Center

Notes to Financial Statements June 30, 2011 and 2010

Note 14: Disclosures Regarding St. John's Medical Center Foundation - Continued

The following is reconciliation of the beginning and ending balance of recurring fair value measurements recognized in the accompanying statement of financial position using significant unobservable (Level 3) inputs:

	Investment in Real Estate
Balance, July 1, 2009	\$ 2,100,000
Contributed property	40,000
Balance, June 30, 2010	2,140,000
Unrealized loss	(250,000)
Balance, June 30, 2011	\$ 1,890,000

Note 15: Significant Estimates and Concentrations

Current Economic Conditions

The current economic environment presents healthcare organizations with unique circumstances and challenges, which in some cases have resulted in significant declines in the fair value of investments, declines in contributions, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the District.

The District's patients covered by government sponsored Medicare or Medicaid programs were 35% for both years ended June 30, 2011 and 2010. The effect of the current economic conditions on government budgets may have an adverse effect on the cash flow from these programs. Further, current economic conditions have made it difficult for certain of our other patients to pay for services rendered. As employers make adjustments to health insurance plans services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on the District's future operating results.

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

Supplementary Information

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

Board of Trustees
Teton County Hospital District
d/b/a St. John's Medical Center
Jackson, Wyoming

We have audited the financial statements of Teton County Hospital District d/b/a St. John's Medical Center (the District) and its discretely presented component unit as of and for the year ended June 30, 2011, which collectively comprise its basic financial statements and have issued our report thereon dated October 25, 2011. 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. The financial statements of St. John's Medical Center Foundation, the discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 District's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Board of Trustees
Teton County Hospital District
d/b/a St. John's Medical Center

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the District's management in a separate letter dated October 25, 2011.

This report is intended solely for the information and use of the Board of Trustees and management and is not intended to be and should not be used by anyone other than these specified parties.

\s\ **BKD, LLP**

October 25, 2011