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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

▶ The organization may have to use a copy of this return to satisfy state reporting requirements

OMB No 1545-0047

2011

Open to Public Inspection

A For the 2011 calendar year, or tax year beginning 10-01-2011 and ending 09-30-2012

B Check if applicable
- ☐ Address change
- ☐ Name change
- ☐ Initial return
- ☐ Terminated
- ☐ Amended return
- ☐ Application pending

C Name of organization
Watertown Regional Medical Center Inc

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
125 Hospital Drive

City or town, state or country, and ZIP + 4
Watertown, WI 53098

D Employer identification number
39-1030310

E Telephone number
(920) 261-4210

G Gross receipts $ 103,407,277

F Name and address of principal officer
JOHN GRAF
125 HOSPITAL DRIVE
WATERTOWN, WI 53098

H(a) Is this a group return for affiliates? ☐ Yes ☑ No

H(b) Are all affiliates included? ☐ Yes ☐ No
If "No," attach a list (see instructions)

H(c) Group exemption number ▶

I Tax-exempt status ☑ 501(c)(3) ☐ 501(c) ( ) ◀ (insert no) ☐ 4947(a)(1) or ☐ 527

J Website: ▶ www uwhpwatertown com

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶

L Year of formation 1965

M State of legal domicile WI

Part I Summary

1 Briefly describe the organization's mission or most significant activities
TO PROVIDE THE BEST HEALTHCARE TO OUR PATIENTS WITH STATE OF THE ART TECHNOLOGY, ADVANCED EXPERTISE, AND PERSONALIZED COMPASSIONATE CARE IN A HEALING ENVIRONMENT THAT IS CONVENIENT TO HOME AND WORK

2 Check this box ▶☐ if the organization discontinued its operations or disposed of more than 25% of its net assets

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	15
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	11
5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	**5**	942
6	Total number of volunteers (estimate if necessary)	**6**	166
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	204,723
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	

		Prior Year	Current Year
Revenue			
8	Contributions and grants (Part VIII, line 1h)	90,923	56,197
9	Program service revenue (Part VIII, line 2g)	95,231,858	100,241,920
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	1,587,683	1,756,492
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	583,786	65,504
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	97,494,250	102,120,113
Expenses			
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	20,500	13,369
14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	48,551,505	54,016,615
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	43,524,930	45,015,631
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	92,096,935	99,045,615
19	Revenue less expenses Subtract line 18 from line 12	5,397,315	3,074,498

		Beginning of Current Year	End of Year
Net Assets or Fund Balances			
20	Total assets (Part X, line 16)	127,643,666	153,549,191
21	Total liabilities (Part X, line 26)	47,048,912	67,720,436
22	Net assets or fund balances Subtract line 21 from line 20	80,594,754	85,828,755

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

****** | 2013-05-01
Signature of officer | Date

John Graf Senior Vice President
Type or print name and title

Paid Preparer's Use Only

Preparer's signature | Date | Check if self-employed ☐ | Preparer's taxpayer identification number (see instructions)

Firm's name (or yours if self-employed), address, and ZIP + 4: KPMG LLP, 191 West Nationwide Blvd Ste 500, Columbus, OH 432152568 | EIN ▶ | Phone no ▶ (614) 249-2300

May the IRS discuss this return with the preparer shown above? (see instructions) ☑ Yes ☐ No

Part III **Statement of Program Service Accomplishments**

Check if Schedule O contains a response to any question in this Part III . . . . . ☐

1 Briefly describe the organization's mission

SEE SCHEDULE O

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? . . . . . ☐ Yes ☑ No

If "Yes," describe these new services on Schedule O

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? . . . . . ☐ Yes ☑ No

If "Yes," describe these changes on Schedule O

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

4a (Code) (Expenses $ 63,016,853 including grants of $) (Revenue $ 84,074,092)

Operations of an acute care hospital facility including inpatient, emergency room, surgery and outpatient with a full array of ancillary services

4b (Code) (Expenses $ 20,863,979 including grants of $) (Revenue $ 14,659,683)

Operations of clinics in Watertown and surrounding communities

4c (Code) (Expenses $ 1,609,477 including grants of $) (Revenue $ 1,508,145)

Operations of senior living facilities

4d Other program services (Describe in Schedule O)

(Expenses $ including grants of $) (Revenue $)

4e **Total program service expenses** ▶ $ 85,490,309

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4		No
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10		No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.*	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d		No
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f		No
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a	Yes	
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b		No
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at $100,000 or more? *If "Yes," complete Schedule F, Part I*	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the U S ? *If "Yes," complete Schedule F, Part II and IV*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the U S ? *If "Yes," complete Schedule F, Part III and IV*	16		No
17	Did the organization report a total of more than $15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I*	17		No
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		No
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** All Form 990 filers that operated one or more hospitals must attach audited financial statements	20b	Yes	

Part IV Checklist of Required Schedules *(continued)*

21	Did the organization report more than $5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	**21**		No
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	**22**	Yes	
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	**23**	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer questions 24b–24d and complete Schedule K. If "No," go to line 25*	**24a**	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		No
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	**26**		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? *If "Yes," complete Schedule L, Part III*	**27**		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or owner? *If "Yes," complete Schedule L, Part IV*	**28c**	Yes	
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	**34**		No
35a	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	**35a**		No
b	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2*	**35b**		No
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? **Note.** All Form 990 filers are required to complete Schedule O	**38**	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response to any question in this Part V . . . . . .

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	**1a**	133		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	**1b**	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			**1c**		
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	**2a**	942		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			**2b**	Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)					
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?			**3a**	Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			**3b**	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)?			**4a**		No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .			**5a**		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			**5b**		No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?			**5c**		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?			**6a**		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			**6b**		
7	**Organizations that may receive deductible contributions under section 170(c).**					
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?			**7a**		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			**7b**		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			**7c**		No
d	If "Yes," indicate the number of Forms 8282 filed during the year	**7d**				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			**7e**		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .			**7f**		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			**7g**		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			**7h**		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			**8**		No
9	**Sponsoring organizations maintaining donor advised funds.**					
a	Did the organization make any taxable distributions under section 4966?			**9a**		No
b	Did the organization make a distribution to a donor, donor advisor, or related person?			**9b**		No
10	**Section 501(c)(7) organizations.** Enter					
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	**10a**				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	**10b**				
11	**Section 501(c)(12) organizations.** Enter					
a	Gross income from members or shareholders	**11a**				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	**11b**				
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?			**12a**		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	**12b**				
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**					
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state			**13a**		
b	Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	**13b**				
c	Enter the aggregate amount of reserves on hand	**13c**				
14a	Did the organization receive any payments for indoor tanning services during the tax year?			**14a**		No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .			**14b**		

Part VI **Governance, Management, and Disclosure** For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

Check if Schedule O contains a response to any question in this Part VI . . . . . ☑

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a	15		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	11		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		2		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? .		3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .		5		No
6	Did the organization have members or stockholders?		6		No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?		7a		No
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?		7b		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?		8a	Yes	
b	Each committee with authority to act on behalf of the governing body?		8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		9	Yes	

Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)

			Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	10a		No
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	10b		
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	11a	Yes	
b	Describe in Schedule O the process, if any, used by the organization to review the Form 990			
12a	Did the organization have a written conflict of interest policy? *If "No," go to line 13*	12a	Yes	
b	Were officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes	
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	12c	Yes	
13	Did the organization have a written whistleblower policy?	13	Yes	
14	Did the organization have a written document retention and destruction policy?	14	Yes	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?			
a	The organization's CEO, Executive Director, or top management official	15a	Yes	
b	Other officers or key employees of the organization	15b	Yes	
	If "Yes," to line 15a or 15b, describe the process in Schedule O (see instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a		No
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	16b		

Section C. Disclosure

17 List the States with which a copy of this Form 990 is required to be filed ▶ WI

18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection Indicate how you made these available Check all that apply

☐ Own website ☐ Another's website ☑ Upon request

19 Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public See Additional Data Table

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶

JIM BIRD
125 HOSPITAL DR
Watertown, WI 53098
(920) 262-4230

Part VII **Compensation of Officers, Directors,Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors**

Check if Schedule O contains a response to any question in this Part VII . . . . . .

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1a Complete this table for all persons required to be listed Report compensation for the calendar year ending with or within the organization's tax year

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, and **current** key employees Enter -0- in columns (D), (E), and (F) if no compensation was paid
- List all of the organization's **current** key employees, if any See instructions for definition of "key employee "
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than $100,000 from the organization and any related organizations
- List all of the organization's **former** officers, key employees, or highest compensated employees who received more than $100,000 of reportable compensation from the organization and any related organizations
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than $10,000 of reportable compensation from the organization and any related organizations

List persons in the following order individual trustees or directors, institutional trustees, officers, key employees, highest compensated employees, and former such persons

☐ Check this box if neither the organization nor any related organizations compensated any current or former officer, director, or trustee

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) Jeff Baum Board Chairman	2 0	X		X				0	0	0
(2) Lyle Wuestenberg Board Vice-Chair	2 0	X		X						
(3) Fred Albertz Board of Director	2 0	X								
(4) Ron Sokovich Board of Director & Physician-	40 0	X						347,794		38,340
(5) Michael Dallman Board of Director	2 0	X								
(6) Mike Sullivan MD Board of Director	2 0	X								
(7) John Bauer Board of Director	2 0	X						0	0	0
(8) Emily Stoddard MD Board of Director	2 0	X								
(9) Fred Gremmels MD Board of Director	2 0	X								
(10) Tim Schuler Board of Director	2 0	X								
(11) Marcy Tessmann Board of Director	2 0	X								
(12) Tricia Voigt Board of Director	2 0	X								
(13) Diane Heatley MD Board Vice-Chair	2 0	X		X						
(14) John Kosanovich President	40 0	X		X				352,562		51,593
(15) Daphne Holterman Board of Director	2 0	X								
(16) Sandhya Garg MD Board of Director	2 0	X								
(17) John Graf Vice President & Treasurer	40 0			X				201,893		31,355

Part VII **Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees** (continued)

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(18) Jennifer Laughlin Vice President & CIO	40 0			X				123,042		21,709
(19) Duane Floyd Vice President of Human Resour	40 0			X				132,618		26,951
(20) Lori Schwenkner Secretary	40 0			X				49,972		18,176
(21) Tina Crave Chief Experience Officer	40 0			X				99,334		29,075
(22) Jacklynn Lesniak VP of Patient Services	40 0			X				158,111		26,113
(23) Jeff Meade MD Chief Medical Officer	24 0			X				135,054		22,696
(24) Tahmina Aafreen Physician OBGYN	40 0					X		407,660		30,885
(25) T Mark Roman Physician	40 0					X		596,702		22,743
(26) Edward Hoy Physician	40 0					X		341,982		41,761
(27) Steven Rhodes Physician	40 0					X		457,148		40,430
(28) Katherine Skaggs Physician	40 0					X		358,419		29,754
(29) Kathleen Hargarten Board Of Director	0 0						X	96,103		822
1b **Sub-Total** . . . . . ▶										
c **Total from continuation sheets to Part VII, Section A** . . . . ▶										
d **Total (add lines 1b and 1c)** . . . . . ▶								3,858,394	0	432,403

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶ 37

			Yes	No
3	Did the organization list any **former** officer, director or trustee, key employee, or highest compensated employee on line 1a? *If "Yes," complete Schedule J for such individual*	**3**	Yes	
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than $150,000? *If "Yes," complete Schedule J for such individual*	**4**	Yes	
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? *If "Yes," complete Schedule J for such person*	**5**		No

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than $100,000 of compensation from the organization Report compensation for the calendar year ending with or within the organization's tax year

(A) Name and business address	(B) Description of services	(C) Compensation
Metropolitan Watertown LLC 225 S Executive Dr BROOKFIELD, WI 53005	Anesthesia Services	2,194,060
University of Wisconsin Med Founda 1685 Highland Ave MADISON, WI 53705	Physician	1,606,546
MASS Brothers Construction Co Inc 410 Water Tower Court WATERTOWN, WI 530940108	Construction	955,234
Eppstein Uhen Architects 333 East Chicago St MILWAUKEE, WI 53202	Architects	980,736
University of WI Hospital Clinics PO Box 3006 MILWAUKEE, WI 53201	Lab Services	900,922

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 of compensation from the organization ▶ 24

Part VIII Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . . 1a				
	b	Membership dues 1b				
	c	Fundraising events 1c				
	d	Related organizations . . . 1d				
	e	Government grants (contributions) 1e				
	f	All other contributions, gifts, grants, and similar amounts not included above 1f 56,197				
	g	Noncash contributions included in lines 1a-1f $				
	h	**Total.** Add lines 1a-1f . . . . . ▶	56,197			
Program Service Revenue		Business Code				
	2a	HOSPITAL	621110	84,074,092	83,869,369	204,723
	b	WATERTOWN AREA CLINCS	621300	14,659,683	14,659,683	
	c	SENIOR LIVING FACILITIES	621300	1,508,145	1,508,145	
	d					
	e					
	f	All other program service revenue				
	g	**Total.** Add lines 2a–2f . . . . . ▶		100,241,920		
	3	Investment income (including dividends, interest and other similar amounts) . . . . . ▶		1,665,696		1,665,696
	4	Income from investment of tax-exempt bond proceeds . . ▶		0		
	5	Royalties . . . . . ▶		0		
		(i) Real / (ii) Personal				
	6a	Gross rents 1,412,975				
	b	Less rental expenses 1,226,333				
	c	Rental income or (loss) 186,642				
	d	Net rental income or (loss) . . . . . ▶		186,642		186,642
		(i) Securities / (ii) Other				
	7a	Gross amount from sales of assets other than inventory 149,565				
	b	Less cost or other basis and sales expenses 58,769				
	c	Gain or (loss) 90,796				
	d	Net gain or (loss) . . . . . ▶		90,796		90,796
Other Revenue	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18 . . . a 10,314				
	b	Less direct expenses . . . b 2,062				
	c	Net income or (loss) from fundraising events . . ▶		8,252		8,252
	9a	Gross income from gaming activities See Part IV, line 19 . . . a				
	b	Less direct expenses . . . b				
	c	Net income or (loss) from gaming activities . . ▶		0		
	10a	Gross sales of inventory, less returns and allowances . a				
	b	Less cost of goods sold . . b				
	c	Net income or (loss) from sales of inventory . . ▶		0		
		Miscellaneous Revenue / Business Code				
	11a	CAFETERIA REVENUE 900099		238,586		238,586
	b	MEALMOBILE 624210		64,086	64,086	
	c	CANCER CENTER 541610		79,866	79,866	
	d	All other revenue		-511,928	-511,928	
	e	**Total.** Add lines 11a–11d . . . . . ▶		-129,390		
	12	**Total revenue.** See Instructions . . . ▶		102,120,113	99,669,221	204,723	2,189,972

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns

All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D)

Check if Schedule O contains a response to any question in this Part IX . . . . . ☐

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States See Part IV, line 21	0			
2	Grants and other assistance to individuals in the United States See Part IV, line 22	13,369	13,369		
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16	0			
4	Benefits paid to or for members	0			
5	Compensation of current officers, directors, trustees, and key employees	1,344,316		1,344,316	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7	Other salaries and wages	40,348,260	35,304,728	5,043,532	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	2,590,385	2,266,587	323,798	
9	Other employee benefits	6,962,748	6,092,405	870,343	
10	Payroll taxes	2,770,906	2,424,543	346,363	
11	Fees for services (non-employees)				
a	Management	0			
b	Legal	0			
c	Accounting	0			
d	Lobbying	0			
e	Professional fundraising *See Part IV, line 17* . .	0			
f	Investment management fees	0			
g	Other	12,177,000	10,654,875	1,522,125	
12	Advertising and promotion	0			
13	Office expenses	0			
14	Information technology	0			
15	Royalties . .	0			
16	Occupancy	0			
17	Travel	0			
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	0			
20	Interest	1,859,000	1,626,625	232,375	
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	5,470,000	4,786,250	683,750	
23	Insurance	0			
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	LICENSES AND TAXES	1,911,783	1,672,810	238,973	
b	MEDICAL SUPPLIES	9,745,000	8,526,875	1,218,125	
c	FISCAL AND ADMIN SERVICE	9,705,848	8,492,617	1,213,231	
d	PROVISION FOR BAD DEBT	4,147,000	3,628,625	518,375	
e					
f	All other expenses				
25	**Total functional expenses.** Add lines 1 through 24f	99,045,615	85,490,309	13,555,306	0
26	**Joint costs.** Check here ▶ ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		8,538,188	1	6,950,710
	2	Savings and temporary cash investments		0	2	0
	3	Pledges and grants receivable, net		0	3	0
	4	Accounts receivable, net		12,837,461	4	12,629,182
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		0	5	0
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) Complete Part II of Schedule L		0	6	0
	7	Notes and loans receivable, net		0	7	0
	8	Inventories for sale or use		2,051,745	8	2,003,803
	9	Prepaid expenses and deferred charges		2,841,089	9	2,712,633
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 114,272,273			
	b	Less accumulated depreciation	10b 62,433,000	51,431,348	10c	51,839,273
	11	Investments—publicly traded securities		48,748,865	11	76,399,922
	12	Investments—other securities See Part IV, line 11		0	12	0
	13	Investments—program-related See Part IV, line 11		773,202	13	792,622
	14	Intangible assets		126,768	14	77,045
	15	Other assets See Part IV, line 11		295,000	15	144,001
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		127,643,666	16	153,549,191
Liabilities	17	Accounts payable and accrued expenses		11,276,307	17	14,116,399
	18	Grants payable		0	18	0
	19	Deferred revenue		566,959	19	1,201,561
	20	Tax-exempt bond liabilities		29,989,549	20	47,467,345
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*		0	21	0
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*		0	22	0
	23	Secured mortgages and notes payable to unrelated third parties		0	23	0
	24	Unsecured notes and loans payable to unrelated third parties		0	24	0
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		5,216,097	25	4,935,131
	26	**Total liabilities.** Add lines 17 through 25		47,048,912	26	67,720,436
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		80,483,526	27	85,803,890
	28	Temporarily restricted net assets		111,228	28	24,865
	29	Permanently restricted net assets		0	29	0
		Organizations that do not follow SFAS 117, check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		80,594,754	33	85,828,755
	34	Total liabilities and net assets/fund balances		127,643,666	34	153,549,191

Part XI Reconcilliation of Net Assets

Check if Schedule O contains a response to any question in this Part XI . . . . . ☑

1	Total revenue (must equal Part VIII, column (A), line 12)	1	102,120,113
2	Total expenses (must equal Part IX, column (A), line 25)	2	99,045,615
3	Revenue less expenses Subtract line 2 from line 1	3	3,074,498
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	80,594,754
5	Other changes in net assets or fund balances (explain in Schedule O)	5	2,159,503
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	85,828,755

Part XII Financial Statements and Reporting

Check if Schedule O contains a response to any question in this Part XII . . . . . ☐

			Yes	No
1	Accounting method used to prepare the Form 990 ☐ Cash ☑ Accrual ☐ Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O			
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?	2a		No
b	Were the organization's financial statements audited by an independent accountant?	2b	Yes	
c	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	2c	Yes	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both ☑ Separate basis ☐ Consolidated basis ☐ Both consolidated and separated basis			
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	3b		

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

▶ **Attach to Form 990 or Form 990-EZ.** ▶ **See separate instructions.**

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Watertown Regional Medical Center Inc

Employer identification number
39-1030310

Part I Reason for Public Charity Status (All organizations must complete this part.) See instructions

The organization is not a private foundation because it is (For lines 1 through 11, check only one box)

1 ☐ A church, convention of churches, or association of churches **section 170(b)(1)(A)(i).**

2 ☐ A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E)

3 ☑ A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**

4 ☐ A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state

_____

5 ☐ An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II)

6 ☐ A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**

7 ☐ An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)** (Complete Part II)

8 ☐ A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)

9 ☐ An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)

10 ☐ An organization organized and operated exclusively to test for public safety See **section 509(a)(4).**

11 ☐ An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h

a ☐ Type I **b** ☐ Type II **c** ☐ Type III - Functionally integrated **d** ☐ Type III - Other

e ☐ By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)

f If the organization received a written determination from the IRS that it is a Type I, Type II or Type III supporting organization, check this box ☐

g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

	Yes	No
(i) a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization? **11g(i)**		
(ii) a family member of a person described in (i) above? **11g(ii)**		
(iii) a 35% controlled entity of a person described in (i) or (ii) above? **11g(iii)**		

h Provide the following information about the supported organization(s)

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document? Yes	(iv) No	(v) Did you notify the organization in col (i) of your support? Yes	(v) No	(vi) Is the organization in col (i) organized in the U S ? Yes	(vi) No	(vii) Amount of support?
Total									

Part II **Support Schedule for Organizations Described in IRC 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)**
(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 **Total.** Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 **Public Support.** Subtract line 5 from line 4						

Section B. Total Support

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income (Explain in Part IV) Do not include gain or loss from the sale of capital assets						
11 **Total support** (Add lines 7 through 10)						

12 Gross receipts from related activities, etc (See instructions) **12**

13 **First Five Years** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and **stop here**

Section C. Computation of Public Support Percentage

14 Public Support Percentage for 2011 (line 6 column (f) divided by line 11 column (f)) **14**

15 Public Support Percentage for 2010 Schedule A, Part II, line 14 **15**

16a **33 1/3% support test—2011.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization

b **33 1/3% support test—2010.** If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization

17a **10%-facts-and-circumstances test—2011.** If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization

b **10%-facts-and-circumstances test—2010.** If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization

18 **Private Foundation** If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions

Part III **Support Schedule for Organizations Described in IRC 509(a)(2)**
(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 **Total.** Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of $5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 **Public Support** (Subtract line 7c from line 6)						

Section B. Total Support

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
13 **Total support** (Add lines 9, 10c, 11 and 12)						

14 **First Five Years** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and **stop here** ▶☐

Section C. Computation of Public Support Percentage

15 Public Support Percentage for 2011 (line 8 column (f) divided by line 13 column (f))	15	
16 Public support percentage from 2010 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage

17 Investment income percentage for **2011** (line 10c column (f) divided by line 13 column (f))	17	
18 Investment income percentage from **2010** Schedule A, Part III, line 17	18	

19a **33 1/3% support tests—2011.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support tests—2010.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

20 **Private Foundation** If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions ▶☐

Part IV **Supplemental Information.** Supplemental Information. Complete this part to provide the explanation required by Part II, line 10; Part II, line 17a or 17b; or Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Watertown Regional Medical Center Inc

Employer identification number
39-1030310

Part I **Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts.** Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

		(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year		
2	Aggregate contributions to (during year)		
3	Aggregate grants from (during year)		
4	Aggregate value at end of year		

5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? ☐ Yes ☐ No

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit ☐ Yes ☐ No

Part II **Conservation Easements.** Complete if the organization answered "Yes" to Form 990, Part IV, line 7.

1 Purpose(s) of conservation easements held by the organization (check all that apply)
☐ Preservation of land for public use (e g , recreation or pleasure) ☐ Preservation of an historically importantly land area
☐ Protection of natural habitat ☐ Preservation of a certified historic structure
☐ Preservation of open space

2 Complete lines 2a–2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year

		Held at the End of the Year
a	Total number of conservation easements	2a
b	Total acreage restricted by conservation easements	2b
c	Number of conservation easements on a certified historic structure included in (a)	2c
d	Number of conservation easements included in (c) acquired after 8/17/06	2d

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable year ▶ _____

4 Number of states where property subject to conservation easement is located ▶ _____

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? ☐ Yes ☐ No

6 Staff and volunteer hours devoted to monitoring, inspecting and enforcing conservation easements during the year ▶ _____

7 Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year ▶ $ _____

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 170(h)(4)(B)(ii)? ☐ Yes ☐ No

9 In Part XIV, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements

Part III **Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets.** Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

1a If the organization elected, as permitted under SFAS 116, not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items

b If the organization elected, as permitted under SFAS 116, to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items

(i) Revenues included in Form 990, Part VIII, line 1 ▶ $ _____

(ii) Assets included in Form 990, Part X ▶ $ _____

2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 relating to these items

a Revenues included in Form 990, Part VIII, line 1 ▶ $ _____

b Assets included in Form 990, Part X ▶ $ _____

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets *(continued)*

3 Using the organization's accession and other records, check any of the following that are a significant use of its collection items (check all that apply)

- a ☐ Public exhibition
- b ☐ Scholarly research
- c ☐ Preservation for future generations
- d ☐ Loan or exchange programs
- e ☐ Other

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIV

5 During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? ☐ Yes ☐ No

Part IV Escrow and Custodial Arrangements. Complete if the organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIV and complete the following table

		Amount
c Beginning balance	1c	
d Additions during the year	1d	
e Distributions during the year	1e	
f Ending balance	1f	

2a Did the organization include an amount on Form 990, Part X, line 21? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIV

Part V Endowment Funds. Complete if the organization answered "Yes" to Form 990, Part IV, line 10.

	(a) Current Year	(b) Prior Year	(c) Two Years Back	(d) Three Years Back	(e) Four Years Back
1a Beginning of year balance					
b Contributions					
c Investment earnings or losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance					

2 Provide the estimated percentage of the year end balance held as

- a Board designated or quasi-endowment ▶
- b Permanent endowment ▶
- c Term endowment ▶

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by

		Yes	No
(i) unrelated organizations	3a(i)		
(ii) related organizations	3a(ii)		
b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?	3b		

4 Describe in Part XIV the intended uses of the organization's endowment funds

Part VI Land, Buildings, and Equipment. See Form 990, Part X, line 10.

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land	1,230,407			1,230,407
b Buildings	49,149,952		20,586,289	28,563,663
c Leasehold improvements				
d Equipment	56,708,259		39,198,099	17,510,160
e Other	7,183,655		2,648,612	4,535,043
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				51,839,273

Part VII Investments—Other Securities. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
Other		
Total. *(Column (b) should equal Form 990, Part X, col (B) line 12)* ▶		

Part VIII Investments—Program Related. See Form 990, Part X, line 13.

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
Total. *(Column (b) should equal Form 990, Part X, col (B) line 13)* ▶		

Part IX Other Assets. See Form 990, Part X, line 15.

(a) Description	(b) Book value
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	

Part X Other Liabilities. See Form 990, Part X, line 25.

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	0
RESIDENT DEPOSIT PAYABLE	4,935,135
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	4,935,135

2. Fin 48 (ASC 740) Footnote In Part XIV, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC740)

Part XI Reconciliation of Change in Net Assets from Form 990 to Financial Statements

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	102,120,113
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	99,045,615
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	3,074,498
4	Net unrealized gains (losses) on investments	4	2,730,907
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	-571,404
9	Total adjustments (net) Add lines 4 - 8	9	2,159,503
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	5,234,001

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

1	Total revenue, gains, and other support per audited financial statements			1	104,276,000
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a	2,730,907		
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIV)	2d	-575,020		
e	Add lines **2a** through **2d**			2e	2,155,887
3	Subtract line **2e** from line **1**			3	102,120,113
4	Amounts included on Form 990, Part VIII, line 12, but not on line **1**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIV)	4b			
c	Add lines **4a** and **4b**			4c	
5	Total Revenue Add lines **3** and **4c.** (This should equal Form 990, Part I, line 12)			5	102,120,113

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements			1	99,045,615
2	Amounts included on line 1 but not on Form 990, Part IX, line 25				
a	Donated services and use of facilities	2a			
b	Prior year adjustments	2b			
c	Other losses	2c			
d	Other (Describe in Part XIV)	2d			
e	Add lines **2a** through **2d**			2e	
3	Subtract line **2e** from line **1**			3	99,045,615
4	Amounts included on Form 990, Part IX, line 25, but not on line **1:**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIV)	4b			
c	Add lines **4a** and **4b**			4c	
5	Total expenses Add lines **3** and **4c.** (This should equal Form 990, Part I, line 18)			5	99,045,615

Part XIV Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, Part XI, line 8, Part XII, lines 2d and 4b, and Part XIII, lines 2d and 4b Also complete this part to provide any additional information

Identifier	Return Reference	Explanation
RECONCILIATION ITEMS	FORM 990, SCHEDULE D, PART XI, LINE 8	Interest Rate Swap 23,000 EXTRAORDINARY LOSS ON REFINANCED BOND -575,167 TEMP RESTRICTED UNREALIZED GAIN -19,000 ROUNDING -237 --------- Total -571,404 Form 990, Schedule D, Part XII, Line 2D EXTRAORDINARY LOSS ON REFINANCED BOND -575,167 ROUNDING 147

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 20.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Watertown Regional Medical Center Inc

Employer identification number
39-1030310

Part I Charity Care and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a charity care policy? If "No," skip to question 6a	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals ☐ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year			
a	Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care ☐ 100% ☐ 150% ☐ 200% ☑ Other **125. %**	3a	Yes	
b	Did the organization use FPG to determine eligibility for providing *discounted* care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☑ 300% ☐ 350% ☐ 400% ☐ Other **%**	3b	Yes	
c	If the organization did not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care	4	Yes	
4	Did the organization's policy provide free or discounted care to the "medically indigent"?	5a	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5b		No
b	If "Yes," did the organization's charity care expenses exceed the budgeted amount?	5c		
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	6a	Yes	
6a	Did the organization prepare a community benefit reportduring the tax year?	6b	Yes	
6b	If "Yes," did the organization make it available to the public?			
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 Charity Care and Certain Other Community Benefits at Cost

Charity Care and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Charity care at cost (from Worksheet 1)			905,770		905,770	0 950 %
b Medicaid (from Worksheet 3, column a)			6,260,269		6,260,269	6 600 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Charity Care and Means-Tested Government Programs			7,166,039		7,166,039	7 550 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)		26,178	665,707	64,625	601,082	0 630 %
f Health professions education (from Worksheet 5)		179	37,660		37,660	0 040 %
g Subsidized health services (from Worksheet 6)			652,484		652,484	0 690 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			394,310		394,310	0 420 %
j **Total** Other Benefits		26,357	1,750,161	64,625	1,685,536	1 780 %
k **Total.** Add lines 7d and 7j		26,357	8,916,200	64,625	8,851,575	9 330 %

Part II Community Building Activities Complete this table if the organization conducted any community building activities.

		(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing						
2	Economic development			3,973		3,973	
3	Community support			19,369		19,369	0 020 %
4	Environmental improvements						
5	Leadership development and training for community members			37,950		37,950	0 040 %
6	Coalition building			1,192		1,192	
7	Community health improvement advocacy			7,232		7,232	0 010 %
8	Workforce development			1,339		1,339	
9	Other						
10	**Total**			71,055		71,055	0 070 %

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?	1	Yes		
2	Enter the amount of the organization's bad debt expense	2	2,052,864		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	410,573		
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit				

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	14,314,428
6	Enter Medicare allowable costs of care relating to payments on line 5	6	20,480,240
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-6,165,812
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used		

☐ Cost accounting system ☐ Cost to charge ratio ☑ Other

Section C. Collection Practices

9a	Did the organization have a written debt collection policy during the tax year?	9a	Yes		
b	If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI	9b	Yes		

Part IV Management Companies and Joint Ventures (see instructions)

	(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership%	(e) Physicians' profit % or stock ownership %
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					

Part V Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest)

How many hospital facilities did the organization operate during the tax year? 1

	Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	UWHP Watertown Regional Medical Center 125 Hospital Dr Watertown, WI 53098	X	X					X		

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices.

(Complete a separate Section B for each of the hospital facilities listed in Part V, Section A)

Name of Hospital Facility: UWHP Watertown Regional Medical Center

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 1

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	**1**		
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☐ A definition of the community served by the hospital facility			
b ☐ Demographics of the community			
c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☐ How data was obtained			
e ☐ The health needs of the community			
f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☐ The process for identifying and prioritizing community health needs and services to meet those needs			
h ☐ The process for consulting with persons representing the community's interests			
i ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	**3**		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	**4**		
5 Did the hospital facility make its Needs Assessment widely available to the public?	**5**		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☐ Hospital facility's website			
b ☐ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Development of a community-wide community benefit plan for the facility			
d ☐ Participation in community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g ☐ Prioritization of health needs in the community			
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	**7**		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**8**	Yes	
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	**9**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 125 %			
If "No," explain in Part VI the criteria the hospital facility used			

Part V Facility Information *(continued)*

			Yes	No
10	Used FPG to determine eligibility for providing discounted care?	10	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 300 %			
	If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
	a ☑ Income level			
	b ☐ Asset level			
	c ☐ Medical indigency			
	d ☐ Insurance status			
	e ☑ Uninsured discount			
	f ☐ Medicaid/Medicare			
	g ☐ State regulation			
	h ☐ Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
	a ☑ The policy was posted at all times on the hospital facility's web site			
	b ☐ The policy was attached to all billing invoices			
	c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
	d ☐ The policy was posted in the hospital facility's admissions offices			
	e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility			
	f ☑ The policy was available upon request			
	g ☐ Other (describe in Part VI)			

Billing and Collections

14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	14	Yes	
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
	a ☑ Reporting to credit agency			
	b ☑ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments or arrests			
	e ☐ Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	16	Yes	
	If "Yes," check all actions in which the hospital facility or a third party engaged			
	a ☑ Reporting to credit agency			
	b ☑ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments			
	e ☐ Other similar actions (describe in Part VI)			
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply)			
	a ☐ Notified patients of the financial assistance policy upon admission			
	b ☐ Notified patients of the financial assistance policy prior to discharge			
	c ☑ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
	d ☑ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy			
	e ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

		Yes	No
18 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	**18**	Yes	
If "No," indicate why			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility's policy was not in writing			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

Individuals Eligible for Financial Assistance

19 Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care			
a ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
b ☐ The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c ☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d ☐ Other (describe in Part VI)			
20 Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	**20**		No
If "Yes," explain in Part VI			
21 Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient?	**21**		No
If "Yes," explain in Part VI			

Part V Facility Information *(continued)*

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility
(list in order of size from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? _____

	Name and address	Type of Facility (Describe)
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21

2 **Community health needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any community health needs assessments reported in Part V, Section B

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served

7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
BAD DEBT	PART 1, LINE 7, COLUMN (F)	The amount of bad debt expense excluded from the the total expenses used to calculate Part I, Line 7, Column (f) was $4,147,000 This reduced the total expenses to $94,898,615

Identifier	ReturnReference	Explanation
COST CALCULATION	Part I, Line 7	Costs included in part i, line 7 were calculated using the cost to charge ratio PART II WRMC is actively involved in promoting the health of the communities it serves WRMC actively develops partnerships with community organizations with similar missions of improving community health and safety As a board member of the Dodge Jefferson Healthier Community Partnership (DJHCP), we work with two other hospitals, Dodge and Jefferson County Health Departments and the Watertown Health Departments to complete regular community health assessments and to develop ongoing community health improvement plans DJHCP serves as an ambassador for community health by supporting health-related activities in addition to organizing efforts targeted toward community health priorities (i e diet, exercise, mental health and substance abuse) DJHCP founded and oversees our local free clinic, the Watertown Area Cares Clinic Another example of this group's work is the founding of Get Healthy Watertown, a community wellness coalition which sponsors weekly community walks Our long-term relationship with Rainbow Hospice provides high-quality access to a continuum of services that WRMC does not offer on its own Our collaboration helps to maintain hospice as a strong, high-quality community resource WRMC's relationship with the Watertown police department supports safety and domestic violence awareness education as well as the development of a "clean sweep" safe medication disposal program

Identifier	ReturnReference	Explanation
BAD DEBT EXPENSE CALCULATION	Part III, Line 4	The hospital cost to charge ratio, computed from the 9/30/2012 Medicare Cost Report, was used to compute the cost of the bad debt expense The hospital estimated that 20% of its bad debt expense would be classified as charity care if the forms were filled out with proper documentation When accounts are transferred to collection the hospital does not know if the patients may possibly qualify for Community Care because they may have neglected their bills Many accounts go to collection because the hospital never has any contact with the patient The hospital sends them statements and calls them, but the patients never pay or respond The Hospital provides care without charge or at amounts less than the Hospital's established rates to patients who meet certain criteria under its charity care policy The Hospital maintains records to identify and monitor the level of charity care it provides These records include the amount of charges forgone for services and supplies furnished under its charity care policy Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue The following information measures the level of charity care provided for the years ended September 30 Charges Foregone, based on established rates 2012=2,052,864 2011=$1,841,622

Identifier	ReturnReference	Explanation
SHORTFALL AS COMMUNITY BENEFIT	Part III, Line 8	100% of the Medicare shortfall should be treated as community benefit Watertown Regional Medical Center is committed to serving all patients, regardless of ability to pay or if the payments to be received will be less than the cost to provide the service, which is the case for Medicare and Medicaid patients The figures on line 6 of part iii come from the 9/30/2012 Medicare Cost Report

Identifier	ReturnReference	Explanation
CHARITY CARE	Part III, Line 9b	When patients qualify for charity care, the Hospital gives up collection efforts on the amount that is classified as charity care If a patient receives partial charity care, the non-charity portion of their bill is still subject to normal collection efforts, which can include being sent to a collection agency if the patient fails to make payments to the Hospital

Identifier	ReturnReference	Explanation
BILLING OF UNINSURED	Part V, line 19d	Charge all patients the same Selfpay ("SP") patients are then given an automatic 10% "SP" discount Then an additional 15% prompt pay discount if paid within 30 days

Identifier	ReturnReference	Explanation
NEEDS ASSESSMENT	Part VI, Line 2	Using public health data provided by the State of Wisconsin, local health departments and the University of Wisconsin, UW Health Partners Watertown Regional Medical Center (WRMC) completes regular community health assessments These assessments are performed in cooperation the local public health offices Public health data is used to identify the region's top health and safety needs Priorities are identified in collaboration with our public health partners, community leaders, other health providers and community members representing diverse needs of the community The following have been identified as our regions' greatest health needs a Healthy Diet b Physical Activity c Mental Health d Alcohol/substance abuse

Identifier	ReturnReference	Explanation
PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE	Part VI, Line 3	WRMC uses multiple methods to educate patients about eligibility for financial assistance Local referring providers are familiar with WRMC's charity care policies and often get patients in contact with WRMC financial counselors as the care process is initiated Our front office/reception staff at each point of entry is educated on billing and assistance procedures and can serve as an immediate resource for patients, referring patients to financial counselors to provide personalized counseling when necessary Our financial assistance policies are available on our website, and the numbers for our financial counselors are readily publicized in phone books and other directories Once admitted to the medical center, each patient receives a Patient Handbook, which outlines billing procedures and financial assistance resources These policies and resources are also available 24/7 on our website at uwhpwatertown com

Identifier	ReturnReference	Explanation
COMMUNITY INFORMATION	Part VI, Line 4	WRMC serves the residents of Dodge and Jefferson counties in a service area of roughly 120,000 lives Basic county demographic information is as follows Dodge County Jefferson County - Residents below Poverty 8 1% 7 6% - with HS Diploma 82 3% 84 7% - Speak Language other than English 4 6% 6 1% - Residents over age 65 13 6% 12 5% - Residents uninsured 7 4% 3 0%

Identifier	ReturnReference	Explanation
COMMUNITY BUILDING ACTIVITIES	Part VI, Line 5	WRMC has an open medical staff and a generous charity care program Annually, we donate a percentage of net revenue to a Community Health Fund which is used to support local non-profits with health, wellness and safety related missions A Community Benefit sub-committee of the board oversees the Community Health Fund and WRMC charitable activities WRMC is active in community health improvement in the region An active member of the Dodge Jefferson Healthy Community Partnership, we work in partnership with local health departments to develop community health improvement plans We provide ongoing support (in the form of financial funding and donated diagnostic and lab testing services) to our local free clinic, the Watertown Area Cares Clinic (WACC) WRMC also provides lab and diagnostic services to a second free clinic, the Rock River Free Clinic WRMC develops active partnerships with community providers to ensure quality care across the continuum Support of our local hospice provider, Rainbow Hospice, has been a significant priority Two WRMC leaders serve on the Rainbow Hospice board Three WRMC physicians provide medical direction for Hospice, and WRMC has made sizable financial donations to enhance the hospice services available locally Obesity is a key health concern for our region, and WRMC is active in promoting lifestyle change Ready Set Fit is an example of our youth obesity prevention efforts Annually, our providers teach a healthy lifestyle curriculum in local schools which focuses on nutrition and exercise This past year, efforts have focused around transforming our Dietary (or food service function) to Nourishment With this work, WRMC hopes to serve as an example of healthy eating, making it easy for employees, patients and guests to "choose health" with affordable, fresh and scratch meals made with nutritious local ingredients

Identifier	ReturnReference	Explanation
AFFILIATED HEALTHCARE SYSTEM		WRMC is governed by a community board of directors who represent the diverse needs of the Watertown region We have a board of directors sub-committee which oversees our community benefit plan and activities This committee also oversees our Community Health Fund This committee is made up of community members who represent underserved populations, such as the elderly, low-income, Spanish speaking population and youth Each fiscal year, our board allocates a percentage of net revenue to a Community Health Fund Community non-profits with health and safety related missions apply for and receive grant funds to further their missions of enhancing the health of the community

Identifier	ReturnReference	Explanation
STATE FILING OF COMMUNITY BENEFIT REPORT	990 SCHEDULE H, PART VI	WI,

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

Grants and Other Assistance to Organizations, Governments and Individuals in the United States

Complete if the organization answered "Yes," to Form 990, Part IV, line 21 or 22.
▶ Attach to Form 990

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Watertown Regional Medical Center Inc

Employer identification number
39-1030310

Part I General Information on Grants and Assistance

1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? . . . . . ☑ Yes ☐ No

2 Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

Part II Grants and Other Assistance to Governments and Organizations in the United States.

Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than $5,000. Check this box if no one recipient received more than $5,000. Use Part IV and Schedule I-1 (Form 990) if additional space is needed . . . . . ▶ ☐

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table . . . . . ▶ _____

3 Enter total number of other organizations listed in the line 1 table . . . . . ▶ _____

Part III **Grants and Other Assistance to Individuals in the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 22. Use Schedule I-1 (Form 990) if additional space is needed.

(a) Type of grant or assistance	(b) Number of recipients	(c) Amount of cash grant	(d) Amount of non-cash assistance	(e) Method of valuation (book, FMV, appraisal, other)	(f) Description of non-cash assistance
(1) SCHOLARSHIP AWARDS (SEE PART IV FOR DETAILS)	14	13,369		N/A	N/A

Part IV **Supplemental Information.** Complete this part to provide the information required in Part I, line 2, and any other additional information.

Identifier	Return Reference	Explanation
PROCEDURES FOR MONITORING THE USE OF GRANT FUNDS IN THE UNITED STATES	Schedule I, Part I, Line 2	Annually, a team develops and submits a grant request to granting organizations to request funding for initiatives which meet identified health needs The team develops a proposal with objectives, tactics and budget outlined The team monitors progress toward stated objectives and budget and sends quarterly updates to the granting organization In addition, the grant outcomes are reviewed annually with Community Benefit Committee members

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees
▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Watertown Regional Medical Center Inc

Employer identification number
39-1030310

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropiate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items ☐ First-class or charter travel ☐ Housing allowance or residence for personal use ☐ Travel for companions ☐ Payments for business use of personal residence ☐ Tax idemnification and gross-up payments ☑ Health or social club dues or initiation fees ☐ Discretionary spending account ☐ Personal services (e g , maid, chauffeur, chef)			
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement orprovision of all the expenses described above? If "No," complete Part III to explain	**1b**	Yes	
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	**2**		No
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply ☑ Compensation committee ☑ Written employment contract ☑ Independent compensation consultant ☑ Compensation survey or study ☐ Form 990 of other organizations ☑ Approval by the board or compensation committee			
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization			
a	Receive a severance payment or change-of-control payment?	**4a**		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**		No
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**4c**		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	**5a**		No
b	Any related organization?	**5b**		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	**6a**		No
b	Any related organization?	**6b**		No
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	**7**		No
8	Were any amounts reported in Form 990, Part VII, paid or accured pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III	**8**		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	**9**		

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use Schedule J-1 if additional space needed.

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions on row (ii) Do not list any individuals that are not listed on Form 990, Part VII

Note. The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, columns (D) and (E) for that individual

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) Kathleen Hargarten	(i) (ii)	96,092	0	11	0	961	97,064	
(2) Ron Sokovich	(i) (ii)	309,252	0	38,542	19,627	20,279	387,700	
(3) John Graf	(i) (ii)	145,284	17,988	38,621	16,449	16,436	234,778	
(4) Duane Floyd	(i) (ii)	102,257	8,382	21,979	10,968	17,087	160,673	
(5) Tahmina Aafreen	(i) (ii)	207,464	183,678	16,518	19,323	13,128	440,111	
(6) T Mark Roman	(i) (ii)	596,684		18	7,846	16,463	621,011	
(7) Edward Hoy	(i) (ii)	217,842	85,519	38,621	26,601	16,726	385,309	
(8) Jacklynn Lesniak	(i) (ii)	137,126	14,495	6,490	11,300	16,073	185,484	
(9) Steven Rhodes	(i) (ii)	383,501	35,105	38,542	20,983	21,013	499,144	
(10) Katherine Skaggs	(i) (ii)	358,377		42	12,127	19,193	389,739	
(11) John Kosanovich	(i) (ii)	274,119	56,171	22,272	36,301	17,255	406,118	
(12) Jeff Meade MD	(i) (ii)	114,873	8,916	11,265	10,593	13,157	158,804	

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 4c, 5a, 5b, 6a, 6b, 7, and 8 Also complete this part for any additional information

Identifier	Return Reference	Explanation

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990).
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Watertown Regional Medical Center Inc

Employer identification number
39-1030310

Part I Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	WISCONSIN HEALTH & EDUCATIONAL FACILITIES AUTHOR	39-1337855	97710B2V3	08-23-2012	28,861,000	Hospital Expansion & Renovation		X		X		X
B	WISCONSIN HEALTH & EDUCATIONAL FACILITIES AUTHOR	39-1337855		11-18-2010	2,250,000	Clinic Building Purchase		X		X		X
C	WISCONSIN HEALTH & EDUCATIONAL FACILITIES AUTHOR	39-1337855	97710VP36	10-26-2006	15,000,000	Hospital Expansion		X		X		X
D	WISCONSIN HEALTH & EDUCATIONAL FACILITIES AUTHOR	39-1337855	97710VQW1	12-11-2003	4,400,000	Hospital Remodeling		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	0	135,000	0	1,760,000
2	Amount of bonds defeased	0	0	0	0
3	Total proceeds of issue	28,861,001	2,250,000	15,000,000	4,400,000
4	Gross proceeds in reserve funds	17,318,799	0	1,258,570	0
5	Capitalized interest from proceeds	0	0	0	0
6	Proceeds in refunding escrow	0	707,005	0	0
7	Issuance costs from proceeds	459,517	25,995	300,000	88,000
8	Credit enhancement from proceeds	0	0	624,944	22,779
9	Working capital expenditures from proceeds	0	0	0	0
10	Capital expenditures from proceeds	1,554,139	1,517,000	12,816,486	4,289,221
11	Other spent proceeds	9,419,259	0	0	0
12	Other unspent proceeds	0	0	0	0
13	Year of substantial completion		2010	2008	2004

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X		X			X		X
15	Were the bonds issued as part of an advance refunding issue?		X		X		X		X
16	Has the final allocation of proceeds been made?		X	X		X		X	
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X		X		X	

Part III Private Business Use

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?		X		X		X		X
2	Are there any lease arrangements that may result in private business use of bond-financed property?		X		X		X		X

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?		X		X		X		X
b	If 'Yes' to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?		X		X		X		X
d	If 'Yes' to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶	0 %		0 %		0 %		0 %	
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶	0 %							
6	Total of lines 4 and 5	0 %							
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X		X		X		X	

Part IV Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?	X		X		X		X	
2	Is the bond issue a variable rate issue?		X	X		X		X	
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X		X	X			X
b	Name of provider	0		0		JP MORGAN CHASE			
c	Term of hedge						28		
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								
4a	Were gross proceeds invested in a GIC?		X		X		X		X
b	Name of provider	0		0		0		0	
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5	Were any gross proceeds invested beyond an available temporary period?		X		X		X		X
6	Did the bond issue qualify for an exception to rebate?	X		X		X		X	

Part V Procedures To Undertake Corrective Action

Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations . . . . . ☐ Yes ☑ No

Part VI Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule K (see instructions)

Identifier	Return Reference	Explanation

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990).
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Watertown Regional Medical Center Inc

Employer identification number
39-1030310

Part I Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	WISCONSIN HEALTH & EDUCATIONAL FACILITIES AUTHOR	39-1337855	97710vap3	07-27-2001	13,260,190	Hospital CLINIC EXPANSION	X			X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	3,245,000			
2	Amount of bonds defeased	10,340,000			
3	Total proceeds of issue	13,260,190			
4	Gross proceeds in reserve funds	0			
5	Capitalized interest from proceeds	0			
6	Proceeds in refunding escrow	0			
7	Issuance costs from proceeds	234,986			
8	Credit enhancement from proceeds	455,456			
9	Working capital expenditures from proceeds	0			
10	Capital expenditures from proceeds	6,760,955			
11	Other spent proceeds	5,464,276			
12	Other unspent proceeds	0			
13	Year of substantial completion	2003			

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X							
15	Were the bonds issued as part of an advance refunding issue?		X						
16	Has the final allocation of proceeds been made?	X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X							

Part III Private Business Use

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?								
2	Are there any lease arrangements that may result in private business use of bond-financed property?								

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?								
b	If 'Yes' to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?								
d	If 'Yes' to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶		0 %						
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶								
6	Total of lines 4 and 5								
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?								

Part IV Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?	X							
2	Is the bond issue a variable rate issue?		X						
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X						
b	Name of provider	0							
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								
4a	Were gross proceeds invested in a GIC?		X						
b	Name of provider	0							
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5	Were any gross proceeds invested beyond an available temporary period?		X						
6	Did the bond issue qualify for an exception to rebate?	X							

Part V Procedures To Undertake Corrective Action

Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations . . . . . ☐ Yes ☑ No

Part VI Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule K (see instructions)

Identifier	Return Reference	Explanation

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

▶ Complete if the organization answered "Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V lines 38a or 40b.
▶ Attach to Form 990 or Form 990-EZ. ▶See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Watertown Regional Medical Center Inc

Employer identification number
39-1030310

Part I Excess Benefit Transactions (section 501(c)(3) and section 501 (c)(4) organizations only).

Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

1 (a) Name of disqualified person	(b) Description of transaction	(c) Corrected? Yes	(c) Corrected? No

2 Enter the amount of tax imposed on the organization managers or disqualified persons during the year under section 4958 . . . . . ▶ $

3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization . . . . . ▶ $

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 26, or Form 990-EZ, Part V, line 38a

(a) Name of interested person and purpose	(b) Loan to or from the organization? To	(b) From	(c) Original principal amount	(d) Balance due	(e) In default? Yes	(e) No	(f) Approved by board or committee? Yes	(f) No	(g) Written agreement? Yes	(g) No
Total . . . . . ▶ $										

Part III Grants or Assistance Benefitting Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of grant or type of assistance

Part IV Business Transactions Involving Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) Meade Medical Clinic	Officer is owner	276,462	SEE PART V		No
(2) University of Wisconsin Health Care	Board member is officer	100,000	SEE PART V		No
(3) Nadine Kosanovich	Daughter of president	19,563	SEE PART V		No
(4) Cynthia Schuler	Spouse of board member	40,177	SEE PART V		No
(5) Roberta Graf	Spouse of treasurer	56,631	SEE PART V		No

Part V Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule L (see instructions)

Identifier	Return Reference	Explanation
DESCRIPTION OF RELATED PARTY TRANSACTIONS		MEADE MEDICAL CLINIC DR MEADE PROVIDED RENTAL PROPERTY TO WATERTOWN REGIONAL MEDICAL CENTER, INC UNIVERSITY OF WISCONSIN HEALTH CARE, INC MR DALLMAN IS VICE PRESIDENT OF REGIONAL DEVELOPMENT FOR UNIVERSITY OF WISCONSIN HEALTH CARE, INC WHICH HAS AN AFFILIATION AGREEMENT WITH WATERTOWN REGIONAL MEDICAL CENTER, INC NADINE KOSANOVICH NADINE KOSANOVICH, EMPLOYEE OF WRMC, IS THE DAUGHTER OF JOHN KOSANOVICH, PRESIDENT OF THE BOARD OF DIRECTORS CYNTHIA SCHULER CYNTHIA SCHULER, EMPLOYEE OF WRMC, IS THE WIFE OF TIM SCHULER WHO IS A BOARD OF DIRECTOR ROBERTA GRAF ROBERTA GRAF, EMPLOYEE OF WRMC, IS THE SPOUSE OF JOHN GRAF, SENIOR VICE PRESIDENT AND TREASURER

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on Form 990 or to provide any additional information.
▶ Attach to Form 990 or 990-EZ.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Watertown Regional Medical Center Inc

Employer identification number
39-1030310

Identifier	Return Reference	Explanation
ORGANIZATION'S MISSION	FORM 990, PART III, LINE 1	TO PROVIDE THE BEST IN HEALTHCARE TO OUR PATIENTS HOSPITAL, OPERATES A COMMUNITY HOSPITAL WITH 95 APPROVED BEDS PROVIDING A FULL RANGE OF ACUTE CARE AND HOME HEALTH SERVICES IN WATERTOWN, WISCONSIN AND SURROUNDING COMMUNITIES THE HOSPITAL ALSO OWNS AND OPERATES PHYSICIAN PRACTICE CLINICS AND SENIOR HOUSING CAMPUSES THE HOSPITAL HAS A COMMITMENT TO PROVIDE SERVICES TO ALL, INCLUDING THE UNDERSERVED AND THOSE AFFECTED BY POVERTY THE HOSPITAL PROVIDES A WIDE RANGE OF COMMUNITY OUTREACH SERVICES SUCH AS IMMUNIZATION CLINICS, HEALTH EDUCATION PROGRAMS, HEALTH SCREENINGS, AND VARIOUS HEALTHCARE SUPPORT GROUPS
GOVERNING BODY AND MANAGEMENT	FORM 990, PART VI, LINE 9	Jeff Baum (Board Chairman) Wisconsin Aviation, Inc 1741 River Drive Watertown, WI 53094 Tim Schuler N452 Beverly Drive Watertown, WI 53098 Mike Sullivan, MD Watertown Family Practice Associates, SC 127 Hospital Drive Watertown, WI 53098 Fred Albertz 508 Highland Blvd Johnson Creek, WI 53038 John P Kosanovich Watertown Regional Medical Center, Inc 125 Hospital Drive Watertown, WI 53098 Emily Stoddard, MD Regional General &Vascular Surgeons, SC MOB-West, Suite 2000 123 Hospital Drive Watertown, WI 53098 Marcy Tessmann W8913 Martins Way Watertown, WI 53094 Diane Heatley, MD UW Hospital and Clinics 600 Highland Avenue K4/765 Madison, WI 53792-7375 Lyle Wuestenberg (Board Vice Chairman) J & L Tire 855Linmar Lane PO Box 497 Johnson Creek, WI 53038 Daphne Holterman Rosy-Lane Holsteins LLC W3757 Ebenezer Drive Watertown, WI 53094 Ron Sokovich, MD Urology Clinic Medical Office Building-West, Suite 2002 123 Hospital Drive Watertown, WI 53098 Michael Dallman University Health Care Inc 301 S Westfield Road Suite 320 Madison, WI 53717 John Bauer Bethesda Lutheran Communities 600 Hoffman Drive Watertown, WI 53094 Fred Gremmels, MD 1517 Country Club Lane Watertown, WI 53098 Tricia Voigt 206 East Spaulding Watertown, WI 53098 Sandhya Garg, MD UWHC 600 Highland Avenue H4/837 Madison, WI 53792-8310
FORM 990 REVIEW PROCESS	FORM 990, PART VI, LINE 11B	The finance committee reviews the 990 in detail and a copy of the 990 is mailed to all board members before it is filed
CONFLICT OF INTEREST POLICY	FORM 990, PART VI, LINE 12C	EACH YEAR THE HOSPITAL'S CONFLICT OF INTEREST POLICY, ALONG WITH THE CONFLICT OF INTEREST FORM, IS SENT TO EACH BOARD MEMBER BOARD MEMBERS ARE ASKED TO REVIEW THE POLICY, COMPLETE THE FORM, AND RETURN THEM TO ADMINISTRATION WHERE THEY ARE KEPT ON FILE
COMPENSATION PROCESS	FORM 990, PART VI, LINE 15B	To determine the compensation of each officer of the corporation, a compensation committee and external data are used to determine a fair and reasonable salary Outside sources include the opinion of an independent compensation consultant, use of a compensation survey, and the written employment contract for each officer, if applicable The salary must be approved each year by the compensation committee
GOVERNING DOCUMENTS AVAILABLE TO PUBLIC	FORM 990, PART VI, LINE 19	Audited financial statements are available to the public through the EMMA website http //emma msrb org/ The governing documents, conflict of interest policies, and audited financial statements are available for public inspection upon request
RECONCILIATION OF NET ASSETS		FORM 990, PART XI, LINE 5 EXTRAORDINARY LOSS ON REFINANCED BONDS (575,167) UNREALIZED GAIN ON INVESTMENTS 2,730,907 INTEREST RATE SWAP 23,000 TEMPORARILY RESTRICTED UNREALIZED GAIN (19,000) ROUNDING (237) TOTAL 2,159,503

WATERTOWN REGIONAL MEDICAL CENTER, INC.

Financial Statements

September 30, 2012 and 2011

(With Independent Auditors' Report Thereon)

WATERTOWN REGIONAL MEDICAL CENTER, INC.

Table of Contents

KPMG LLP
Suite 1500
777 East Wisconsin Avenue
Milwaukee, WI 53202-5337

Independent Auditors' Report

The Board of Directors
Watertown Regional Medical Center, Inc.:

We have audited the accompanying balance sheets of Watertown Regional Medical Center, Inc. (the Hospital) as of September 30, 2012 and 2011, and the related statements of operations, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Watertown Regional Medical Center, Inc. as of September 30, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As described in note 1 to the financial statements, the Hospital adopted the provisions of Financial Accounting Standards Board Accounting Standards Update 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Healthcare Entities*. As a result of this adoption, the Hospital has presented on a separate line the provision for uncollectible accounts as a deduction from net patient service revenue (net of contractual allowances and discounts) and included enhanced disclosures about the entity's policies for recognizing revenue and assessing bad debts.

KPMG LLP

December 20, 2012

WATERTOWN REGIONAL MEDICAL CENTER, INC.

Balance Sheets

September 30, 2012 and 2011

(In thousands)

Assets		2012	2011
Current assets:			
Cash and cash equivalents	$	6,952	8,540
Patient accounts receivable, net of allowance for doubtful accounts of $2,732 in 2012 and $2,906 in 2011		12,629	12,837
Inventories of supplies		2,004	2,052
Estimated amounts due from third-party payors		—	295
Prepaid expenses and other receivables		1,431	1,554
Total current assets		23,016	25,278
Assets whose use is limited or restricted		76,400	48,749
Property, plant, and equipment, net		51,839	51,431
Deferred financing costs, net		1,281	1,287
Other noncurrent assets		870	900
Total assets	$	153,406	127,645
Liabilities and Net Assets			
Current liabilities:			
Current installments of long-term debt	$	1,190	692
Trade accounts payable		2,888	2,958
Construction and retainages payable		1,224	454
Accrued salaries, wages, and benefits		3,492	3,387
Estimated amounts due to third-party payors		701	—
Other current liabilities and accrued expenses		514	480
Total current liabilities		10,009	7,971
Deferred compensation		1,202	567
Resident deposits payable		4,935	5,216
Long-term debt, less current installments and unamortized discount		47,467	29,990
Other long-term liabilities		3,964	3,306
Total liabilities		67,577	47,050
Net assets:			
Unrestricted		85,804	80,484
Temporarily restricted		25	111
Total net assets		85,829	80,595
Total liabilities and net assets	$	153,406	127,645

See accompanying notes to financial statements.

WATERTOWN REGIONAL MEDICAL CENTER, INC.

Statements of Operations

Years ended September 30, 2012 and 2011

(In thousands)

	2012	2011
Net patient service revenues before bad debt	$ 95,967	93,201
Provision for bad debts	4,147	3,567
Net patient service revenue	91,820	89,634
Other revenue	4,275	2,030
Total revenues	96,095	91,664
Expenses:		
Salaries and benefits	54,017	48,551
Medical supplies and drugs	9,745	9,626
Purchased services	12,177	11,112
Depreciation	5,470	5,609
Interest	1,859	1,944
Other	11,631	11,687
Total expenses	94,899	88,529
Income from operations	1,196	3,135
Nonoperating gains and losses, net	4,034	1,773
Revenues in excess of expenses	5,230	4,908
Other changes in unrestricted net assets:		
Amortization of accumulated effective portion of derivative losses for ineffective interest rate swaps	23	23
Net assets released from restrictions	66	17
Increase in unrestricted net assets	$ 5,319	4,948

See accompanying notes to financial statements.

WATERTOWN REGIONAL MEDICAL CENTER, INC.

Statements of Changes in Net Assets

Years ended September 30, 2012 and 2011

(In thousands)

	Unrestricted	Temporarily restricted	Total
Balances, September 30, 2010	$ 75,536	128	75,664
Revenues in excess of expenses	4,908	—	4,908
Amortization of accumulated effective portion of derivative losses for ineffective interest rate swaps	23	—	23
Net assets released from restrictions	17	(17)	—
Increase (decrease) in net assets	4,948	(17)	4,931
Balances, September 30, 2011	80,484	111	80,595
Revenues in excess of expenses	5,230	—	5,230
Amortization of accumulated effective portion of derivative losses for ineffective interest rate swaps	23	—	23
Change in net unrealized gains and losses on restricted net assets	—	(19)	(19)
Net assets released from restrictions	66	(66)	—
Increase (decrease) in net assets	5,319	(85)	5,234
Balances, September 30, 2012	$ 85,803	26	85,829

See accompanying notes to financial statements.

WATERTOWN REGIONAL MEDICAL CENTER, INC.

Statements of Cash Flows

Years ended September 30, 2012 and 2011

(In thousands)

	2012	2011
Cash flows from operating activities:		
Increase in net assets	$ 5,234	4,931
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Change in net unrealized gains and losses on investments	(2,731)	490
Change in fair value of interest rate swap	797	502
Depreciation and amortization (including $712 and $718 of depreciation in 2012 and 2011, respectively, included in nonoperating gains and losses, net)	6,182	6,328
Gain on sale of fixed assets	(91)	(18)
Provision for bad debts	4,147	3,567
Realized losses (gains), net on investments	(119)	5
Amortization of accommodation fee	(167)	(198)
Increase in patient accounts receivable	(3,939)	(4,915)
Decrease (increase) in inventories and supplies	48	(38)
Increase (decrease) in trade accounts payable	(70)	394
Change in estimated amounts due from/to third-party payors	996	420
Net change in other assets and liabilities	1,018	(476)
Net cash provided by operating activities	11,305	10,992
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(6,648)	(7,441)
Proceeds from sale of fixed assets	150	80
Increase (decrease) in construction and retainages payable	770	(46)
Purchases of physician clinics	—	(411)
Purchases of assets whose use is limited or restricted	(61,592)	(19,638)
Sales or maturities of assets whose use is limited or restricted	36,791	15,664
Net cash used in investing activities	(30,529)	(11,792)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	28,760	2,250
Repayments of long-term debt	(10,932)	(1,375)
Loss on bond refinancing	575	—
Payments for deferred financing costs	(486)	(67)
Change in resident deposits payable	(281)	(385)
Net cash provided by financing activities	17,636	423
Net decrease in cash and cash equivalents	(1,588)	(377)
Cash and cash equivalents:		
Beginning of year	8,540	8,917
End of year	$ 6,952	8,540
Supplemental disclosure of cash flow information:		
Cash payments for interest, net of amounts capitalized	$ 965	1,206

See accompanying notes to financial statements.

(1) Organization and Summary of Significant Accounting Policies

Watertown Regional Medical Center, Inc. (the Hospital), a not-for-profit hospital, operates a community hospital with 95 approved beds providing a full range of acute care in Watertown, Wisconsin and surrounding communities. The Hospital also owns and operates physician practice clinics and senior housing campuses.

In 2008, the Hospital signed an affiliation agreement with University Health Care, Inc. (UHC), a not-for-profit organization sponsored by the University of Wisconsin Hospital and Clinics Authority, the University of Wisconsin Medical Foundation, and the University of Wisconsin School of Medicine and Public Health. As part of the agreement, UHC was assigned two seats on the Hospital's board of directors. The affiliation did not result in UHC obtaining control or an economic interest in the Hospital. The purpose of the affiliation is to enhance local capabilities and further program development to better address the healthcare needs of residents in the Hospital's service area. The initial term of the affiliation is through December 31, 2012 and will automatically renew for successive terms of five years, unless otherwise terminated by either party. The Hospital is required to pay annual affiliation fees of $100,000 to UHC.

(a) Net Asset Accounting

Temporarily restricted net assets are used to differentiate assets whose use is restricted by donors from unrestricted net assets on which donors place no restrictions or which arise as a result of the operations of the Hospital for its stated purposes. The temporarily restricted net assets are restricted for property, plant, and equipment, and various operating purposes.

Temporarily restricted contributions received for property, plant, and equipment are reported as additions to temporarily restricted net assets. To the extent that the donor restrictions have been met within the period, the net assets are reported as net assets released from restrictions and are recorded as additions to unrestricted net assets.

Temporarily restricted contributions received for specific operating purposes are recorded as additions to temporarily restricted net assets. To the extent that the donor restrictions have been met within the period, the net assets are reported as net assets released from restrictions and recorded in other revenue.

Restricted net assets are used to differentiate funds, the use of which is limited by the donor or grantor, from unrestricted net assets on which the donor or grantor places no restriction or that arise as a result of the operations of the Hospital for its stated purposes. Assets whose use is limited include assets set aside by the Board of Directors (the Board) for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes; and assets held by trustees under indenture agreements and resident agreements. Assets whose use is limited are not restricted and are classified as unrestricted net assets.

(b) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) 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. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(c) Revenues in Excess of Expenses

The statements of operations include revenues in excess of expenses. Transactions deemed by management to be ongoing, major, or central to the provision of health and residential care services are reported as revenues and expenses. Transactions incidental to the provision of patient and residential care services are reported as nonoperating gains and losses and include duplex sales revenue and maintenance fee revenue from the senior housing campuses and the related depreciation expense on that property, plant, and equipment. Changes in unrestricted net assets that are excluded from revenues in excess of expenses, consistent with industry practice, include amortization of accumulated effective portion of interest rate swap agreements and contributions of long-lived assets (including assets acquired using contributions that by donor restriction were to be used for purchases of acquiring such assets).

During 2012 and 2011, approximately 76% and 75%, respectively, of total expenses incurred were for healthcare services. The remaining expenses were for general and administrative support or residential services.

(d) Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. During 2012 and 2011, the Hospital recorded an adjustment to net patient service revenue for an increase (decrease) of approximately $(590,000) and $50,000, respectively, for third-party payor retroactive adjustments relating to services provided in prior years. Rental revenue of approximately $1,634,000 and $1,721,000 for the years ended September 30, 2012 and 2011, respectively, included in net patient service revenue is from the community-based residential facilities that provide healthcare related services to its residents. Rental revenue is recorded in the period in which services are provided at established rates.

(e) Charity Care

The Hospital provides care without charge or at amounts less than the Hospital's established rates to patients who meet certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

(f) Investments and Investment Income

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. The Hospital's policy is to consider all investments as noncurrent. The Hospital considers all investments as trading. Investment income or loss (including realized gains and losses on investments, interest, and dividends) on assets limited by trustee under bond indenture is included in other operating revenues. Realized gains and losses and interest and dividends from all other investments, unless the income or loss is restricted by donor or law, are

included in nonoperating gains or losses. Unrealized gains and losses of trading securities are reported within nonoperating gains and losses.

The Hospital invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of the Hospital's investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

(g) Inventories of Supplies

Inventories of supplies are stated at cost (first-in, first-out), which is not in excess of market.

(h) Property, Plant, and Equipment

Property, plant, and equipment acquisitions are recorded at cost. Property, plant, and equipment donated for Hospital operations are recorded as additions to unrestricted net assets at fair value at the date of receipt unless explicit donor stipulations specify how the donated assets must be used. Depreciation is provided over the estimated useful life of the buildings, building improvements, and equipment using the straight-line method (25 – 50, 10 – 20, and 5 – 7 years, respectively). Gains or losses on sales of property, plant, and equipment are recorded as nonoperating gains or losses. Net interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the costs of acquiring those assets.

(i) Long-Lived Assets

The Hospital periodically assesses the recoverability of long-lived assets (including property, plant, and equipment, and intangibles) when indications of potential impairment, based on estimated, undiscounted future cash flows, exist. Management considers such factors as current results, trends, and future prospects in addition to other economic factors in determining the impairment of the asset. Management believes the Hospital's long-lived assets are not impaired at September 30, 2012 and 2011.

(j) Deferred Financing Costs

Costs incurred related to the issuance of fixed rate bonds are deferred and amortized using the straight-line method over the term of the bonds. Costs incurred related to the issuance of variable rate bonds are deferred and amortized using the straight-line method over the term of the underlying credit enhancement agreement.

(k) Derivative Instruments and Hedging Activities

The Hospital accounts for derivatives and hedging activities in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 815, *Derivatives and Hedging*, which requires entities to recognize all derivative instruments as either assets or liabilities in the balance sheet at their respective fair values.

The Hospital has entered into an interest-rate-related derivative instrument to manage its exposure on variable rate debt. This financial instrument hedges the variability of cash flows to be paid related to

a recognized liability, and it is designated as a cash flow hedge. For all hedging relationships, the Hospital formally documents the hedging relationship and its risk management objective and strategy for undertaking the hedge, the hedging instrument, the item, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed, and a description of the method of measuring ineffectiveness. This process includes linking derivatives that are designated as cash flow hedges to specific asset and liabilities in the statements of operations. The Hospital also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the cash flow of hedged items. Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash flow hedge are recorded in other changes in unrestricted net assets to the extent that the derivative is effective as a hedge. The ineffective portion of the change in fair value of a derivative instrument that qualifies as a cash flow hedge is reported within interest expense.

The Hospital discontinues hedge accounting prospectively when the derivative expires; is sold, terminated, or exercised; or management determines that designation of the derivative as a hedging instrument is no longer appropriate. In all situations in which hedge accounting is discontinued, the Hospital continues to carry the derivative at its fair value on the balance sheets and reports the change in fair value within interest expense in the statements of operations.

(l) Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents are defined as all highly liquid investments purchased with an original maturity of three months or less, excluding cash and cash equivalents included in assets whose use is limited or restricted.

(m) Income Taxes

The Hospital is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code. The Hospital is also exempt from state income taxes on related income.

The Hospital files the appropriate tax forms on activities deemed to be unrelated to its exempt purposes in accordance with Internal Revenue Code regulations.

The Hospital accounts for income taxes in accordance with ASC Subtopic 740-10 (ASC 740-10), *Income Taxes – Overall*. This guidance addresses the determination of how tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under ASC 740-10, the Hospital must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. ASC 740-10 also provides guidance on derecognition, classification, interest and penalties on income taxes, and accounting in interim periods, and requires increased disclosures. As of September 30, 2012 and 2011, the Hospital does not have a liability for unrecognized tax benefits.

(n) Recently Issued Accounting Standards

In August 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-23, *Measuring Charity Care for Disclosure* (ASU No. 2010-23). ASU No. 2010-23 amends ASC Subtopic 954-605, *Health Care Entities*, to require the Hospital to use cost as the measurement basis for charity care disclosure requirements, and was adopted for the year ended September 30, 2012.

In August 2010, the FASB issued ASU No. 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries* (ASU No. 2010-24). ASU No. 2010-24 clarifies that a healthcare entity should not net insurance recoveries against a related malpractice claim liability or similar liability, which is consistent with the guidance in ASC Subtopic 210-20, *Balance Sheet – Offsetting*. The provisions of ASU No. 2010-24 were adopted for the year ended September 30, 2012 and had no impact on the financial statements.

In July 2011, the FASB issued ASU No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities* (ASU No. 2011-07). ASU No. 2011-07 requires that entities that recognize significant amounts of patient service revenue at the time the services are rendered even though they do not assess the patient's ability to pay must present the provision for bad debts related to patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts) on their consolidated statements of operations. All other entities would continue to present the provision for bad debts as an operating expense. In addition, there are enhanced disclosures about the entity's policies for recognizing revenue and assessing bad debts. The ASU also requires disclosures of patient service revenue as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. The disclosure requirements are applicable for the Hospital effective for fiscal years ending after December 15, 2012, with early adoption permitted. The Hospital has elected to early adopt the provisions of this ASU. The provision for uncollectible accounts on the accompanying statements of operations for the years ended September 30, 2012 and 2011 have been presented on a separate line as a deduction from net patient service revenue (net of contractual allowances and discounts) to reflect the retrospective application of ASU 2011-07.

(o) Reclassifications

Certain 2011 amounts have been reclassified to conform to the 2012 financial statement presentation, including a reclassification of provision for uncollectible accounts in the statements of operations that decreases net patient service revenues and decreases total operating expenses by $3,567,000 as a result of adopting ASU 2011-07.

(2) Assets Whose Use Is Limited or Restricted

The following is a summary of assets whose use is limited or restricted at September 30 (in thousands):

		2012	2011
Cash and cash equivalents, including accrued interest	$	4,031	2,029
U S Treasury notes		25,919	9,872
U S government agency obligations		8,019	5,984
Corporate bonds		24,713	20,231
Equity securities		13,718	10,633
Total	$	76,400	48,749

Assets whose use is limited or restricted are classified as follows (in thousands):

		2012	2011
Limited by trustee under bond indenture agreements	$	18,729	2,337
Designated by the board for future plant expansion and replacement		56,444	45,734
Restricted for executive compensation agreements		1,202	567
Temporarily restricted by donors		25	111
Total	$	76,400	48,749

(3) Composition of Investment Return

The composition of investment return on the Hospital's cash and cash equivalents and assets whose use is limited or restricted for the years ended September 30, 2012 and 2011 is as follows (in thousands):

		2012	2011
Interest and dividend income	$	1,547	1,575
Realized gains (losses), net		119	(5)
Change in net unrealized gains (losses) on investments		2,731	(490)
Total investment return	$	4,397	1,080

(Continued)

Investment returns are included in the accompanying statements of operations and changes in net assets for the years ended September 30, 2012 and 2011 as follows (in thousands):

	2012	2011
Statements of operations:		
Other revenue	$ 98	35
Nonoperating gains and losses, net	4,318	1,045
Total investment return, unrestricted net assets	4,416	1,080
Statements of changes in net assets:		
Unrealized gains on temporarily restricted net assets	(19)	—
Total investment return, temporarily restricted net assets	(19)	—
Total investment return	$ 4,397	1,080

(4) Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC Topic 820, *Fair Value Measurements*, establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Observable inputs such as quoted prices in active markets that the Hospital has the ability to access at the measurement date.

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 require the Hospital to develop its own assumptions.

The following discussion describes the valuation methodologies used for financial assets and liabilities measured at fair value. The techniques utilized in estimating the fair values are affected by the assumptions used, including discount rates and estimates of the amount and timing of future cash flows. Care should be exercised in deriving conclusions about the Hospital's business, its value, or financial position based on the fair value information of financial assets and liabilities presented below.

- Fair values of cash and cash equivalents are based on observable market quotation prices provided by investment managers and the custodian bank at the reporting date.
- Fair values for the Hospital's U.S. Treasury notes, government agency obligation, corporate bonds and equity securities are based on prices provided by its investment managers and its custodian bank.

Both the investment managers and the custodian bank use a variety of pricing sources to determine market valuations. Each designate specific pricing services or indexes for each sector of the market based upon the provider's expertise. Private placement securities and other equity securities where a public quotation is not available are valued by using broker quotes. The Hospital's fixed maturity securities portfolio is highly liquid, which allows for a high percentage of the portfolio to be priced through pricing services.

- Cash and cash equivalents that are included in assets whose use is limited comprise short-term fixed income securities. Because of the nature of these assets, carrying amounts approximate fair values, which have been determined from public quotations, when available.
- The fair values of the Hospital's derivatives are determined using models internally developed by the respective counterparty that use as their basis readily observable market parameters (such as forward yield curves) and are classified within the Level 2 hierarchy. The Hospital considers its own credit risk as well as the credit risk of its counterparties when evaluating the fair value of its derivatives.

The following table presents the Hospital's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of September 30, 2012 (in thousands):

		Fair value measurements at September 30, 2012		
	Total	Level 1	Level 2	Level 3
Financial assets				
Cash and cash equivalents	$ 6,952	6,952	—	—
Assets whose use is limited				
Cash and cash equivalents	4,031	4,031	—	—
U S Treasury notes	25,919	—	25,919	—
U S government agency obligations	8,019	—	8,019	—
Corporate bonds	24,713	—	24,713	—
Equity securities	13,718	—	13,718	—
Total assets	$ 83,352	10,983	72,369	—
Financial liabilities				
Other long-term liabilities				
Interest rate swap agreement	$ 3,568	—	3,568	—
Total liabilities	$ 3,568	—	3,568	—

(Continued)

The following table presents the Hospital's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of September 30, 2011 (in thousands):

	Total	Fair value measurements at September 30, 2011 Level 1	Level 2	Level 3
Financial assets				
Cash and cash equivalents	$ 8,540	8,540	—	—
Assets whose use is limited				
Cash and cash equivalents	2,029	2,029	—	—
U S Treasury notes	9,872	—	9,872	—
U S government agency obligations	5,984	—	5,984	—
Corporate bonds	20,231	—	20,231	—
Equity securities	10,633	10,633	—	—
Total assets	$ 57,289	21,202	36,087	—
Financial liabilities				
Other long-term liabilities				
Interest rate swap agreement	$ 2,771	—	2,771	—
Total liabilities	$ 2,771	—	2,771	—

(5) Property, Plant, and Equipment

Property, plant, and equipment at September 30, 2012 and 2011 are summarized as follows (in thousands):

	2012	2011
Land	$ 1,230	1,283
Land improvements	3,819	3,635
Buildings and fixed equipment	70,959	70,155
Movable equipment	34,899	32,521
Construction in progress	3,365	371
Total property, plant, and equipment	114,272	107,965
Less accumulated depreciation	62,433	56,534
Property, plant, and equipment, net	$ 51,839	51,431

Construction in progress at September 30, 2012 consists primarily of construction of a new emergency room department and new women's service/obstetrics department expected to be completed in fiscal 2014. Purchase commitments on various projects totaled approximately $6,700,000 at September 30, 2012, and total budgeted costs for the project are approximately $23,000,000.

(Continued)

(6) Long-Term Debt and Guarantees

Long-term debt at September 30, 2012 and 2011 is summarized as follows (in thousands):

	2012	2011
Bond issue:		
Series 2012A – WHEFA	$ 16,680	—
Series 2012B – WHEFA	12,080	—
Series 2010 – WHEFA	2,115	2,205
Series 2006 – WHEFA	15,000	15,000
Series 2003 – WHEFA	2,640	2,860
Series 2001 – WHEFA	—	10,705
Equipment capital lease (at an effective rate of 6.54%)	41	72
Total long-term debt	48,556	30,842
Less:		
Current installments	1,190	692
Unamortized discount	(101)	160
Long-term debt, less current installments and unamortized discount	$ 47,467	29,990

The Series 2012A Bonds were issued through the Wisconsin Health and Educational Facilities Authority (WHEFA) on August 23, 2012. Principal payments are due annually, commencing in September 2013 through September 2042. Interest is payable semiannually at annual fixed rates ranging from 1.15% to 5.00% depending on date of maturity. The effective annual interest rate was 4.02% for the year ended September 30, 2012. The Series 2012A Bonds are collateralized by a mortgage on substantially all of the Hospital's property, plant, and equipment and a security interest in substantially all of the revenue of the Hospital.

The Series 2012B Bonds were issued through the WHEFA on August 23, 2012 and are adjustable rate, revenue bonds directly placed with BMO Harris Bank N.A. Principal payments are due annually, commencing in September 2013 through September 2037. Interest is payable monthly at 2.715% through September 1, 2022. From September 1, 2022 to maturity, these bonds are subject to a reset rate. The Series 2012B Bonds are collateralized by a mortgage on substantially all of the Hospital's property, plant, and equipment and a security interest in substantially all of the revenue of the Hospital. The effective annual interest rate on the Series 2012B Bonds was 2.92% for the year ended September 30, 2012.

The Series 2010 Bonds were issued through the WHEFA on November 18, 2010 and are adjustable rate, revenue bonds directly placed with JPMorgan Chase Bank, N.A. Principal and interest payments are due semiannually, commencing in April 2011 through October 2035. The 2010 bonds bear interest at 2.95% through November 17, 2017. From November 18, 2017 to maturity, these bonds are subject to a reset rate. The Series 2010 Bonds are collateralized by a mortgage on substantially all of the Hospital's property, plant, and equipment and a security interest in substantially all of the revenue of the Hospital. The effective annual interest rate on the Series 2010 Bonds was 3.09% and 3.06% for the years ended September 30, 2012 and 2011, respectively.

(Continued)

The Series 2006 Bonds were issued through the WHEFA on October 26, 2006 and are adjustable rate, put option insured revenue bonds. Principal payments are due annually, commencing in September 2018 through 2036. Interest is payable monthly at a variable rate reset weekly by a remarketing agent (0.17% and 0.14% at September 30, 2012 and 2011, respectively). The Series 2006 Bonds are collateralized by a mortgage on substantially all of the Hospital's property, plant, and equipment and a security interest in substantially all of the revenue of the Hospital. The Series 2006 Bonds are backed by a letter of credit provided by JPMorgan Chase Bank, NA (JPMorgan), which expires on October 1, 2016. In the event that the bond remarketing agent is unable to remarket the Series 2006 Bonds, the Series 2006 Bonds would remain outstanding and would be owned by JPMorgan; however, such bonds would be repayable in accordance with terms specified in the letter of credit and reimbursement agreement with JPMorgan. In the event that the letter of credit is drawn upon, the Hospital would reimburse JPMorgan in equal quarterly installments of $750,000 commencing on the first quarterly date to occur at least 367 days after the letter of credit is drawn upon. The Series 2006 Bonds are insured through Radian Asset Assurance, Inc. The effective annual interest rate on the Series 2006 Bonds after giving effect to the effects of the related interest rate swap agreement was 1.77% and 4.22% for the years ended September 30, 2012 and 2011, respectively.

The Series 2003 Bonds were issued through WHEFA and are adjustable rate, put option revenue bonds. Principal payments are due annually through December 2023. Interest is payable monthly at a variable rate reset weekly by a remarketing agent. The variable interest rate was 0.17% and 0.14% as of September 30, 2012 and 2011, respectively. The Series 2003 Bonds are collateralized by a mortgage on substantially all of the Hospital's property, plant, and equipment and a security interest in substantially all of the revenue of the Hospital. JPMorgan f/k/a Bank One, NA issued an irrevocable direct-pay letter of credit, which expires on October 31, 2013, pursuant to the terms of a reimbursement agreement between the Hospital and JPMorgan to pay the principal and interest on the Series 2003 Bonds. In the event that the bond remarketing agent is unable to remarket the Series 2003 Bonds, the Series 2003 Bonds would remain outstanding and would be owned by JPMorgan. If the letter of credit is drawn upon, the Hospital would continue to pay JPMorgan under the scheduled payment terms of the bonds plus interest on the unpaid principal amount outstanding at a rate per annum equal to the prime rate in effect. The effective annual interest rate on the Series 2003 Bonds was 1.47% and 1.27% for the years ended September 30, 2012 and 2011, respectively.

The Series 2001 Bonds were issued through WHEFA. Principal payments are due annually, commencing in August 2002 through August 2029. Interest is payable semiannually at annual fixed rates ranging from 3.40% to 5.40% depending on date of maturity. The effective annual interest rate was 5.95% and 5.83% in 2012 and 2011, respectively. The Series 2001 Bonds are collateralized by a mortgage on substantially all of the Hospital's property, plant, and equipment and a security interest in substantially all of the revenue of the Hospital. The bonds were paid in full on September 24, 2012, and as a result, approximately $575,000 of unamortized bond issuance costs and original issue discounts were recorded as a nonoperating loss in 2012.

The borrowing agreements contain various covenants and restrictions, including provisions limiting the amount of additional indebtedness that may be incurred, requiring maintenance of a debt service coverage ratio and specified days of cash on hand. The borrowing agreements also require the establishment and maintenance of certain funds under the control of a trustee, reflected as assets whose use is limited by trustee under bond indenture agreement (note 2).

Scheduled aggregate annual principal payments on long-term debt in each of the next five fiscal years and in the aggregate thereafter are as follows (in thousands):

	Long-term debt
Year ending September 30:	
2013	$ 1,190
2014	1,234
2015	1,235
2016	1,260
2017	1,370
After 2018	42,267
Total	$ 48,556

If the letters of credit on the variable rate debt were fully drawn upon at September 30, 2012, the annual principal payments in each of the next five fiscal years and in the aggregate thereafter would be as follows (in thousands):

	Long-term debt
Year ending September 30:	
2013	$ 1,190
2014	3,484
2015	4,235
2016	4,260
2017	4,370
After 2018	31,017
Total	$ 48,556

The bond discount is amortized over the life of the related obligation using a method that approximates the effective-interest method.

The carrying value of the Hospital's long-term debt approximates fair value at September 30, 2012 and 2011.

(a) Cancer Center Joint Venture Loan Guarantee

The Hospital is party to a joint venture agreement with two other healthcare organizations for a one-third ownership interest in a cancer center building. The joint venture company, UW Cancer Center Johnson Creek, LLC, has a building note and an equipment note with a bank. At September 30, 2012 and 2011, the total balance of the loans was $3,031,000 and $3,200,000, respectively. The Hospital has guaranteed one-sixth of the total loan balance, which includes principal, interest, and any penalties. No amount of the joint venture's loan balance is included in the

Hospital's financial statements, nor have any amounts been accrued by the Hospital pursuant to this guarantee.

(b) Patient Balance Loan Guarantees

The Hospital maintains an arrangement with a credit union to guarantee loans made to patients to pay hospital accounts receivable balances. The Hospital guarantees payment on demand of the principal and interest of these loans made by the credit union. As of September 30, 2012 and 2011, the Hospital has guaranteed 155 and 168 patient loans, respectively, with original terms up to 36 months and outstanding loan balances of $519,000 and $489,000, respectively. No amount of the patient loan balances is included in the Hospital's financial statements, nor any accruals related to such guarantee.

(c) Derivative Instruments

The Series 2006 Bonds expose the Hospital to variability in interest payments due to changes in interest rates. Management believes that it is prudent to limit the variability of a portion of its interest payments. To meet this objective, management entered into an interest rate swap agreement to manage fluctuations in cash flows resulting from interest rate risk.

The interest rate swap agreement changes the variable rate cash flow exposure on the debt obligations to fixed cash flows. Effective November 1, 2006, the Hospital entered into an interest rate swap agreement for $11,250,000 of the Series 2006 debt. On December 16, 2011, the interest rate swap agreement was amended to include all $15,000,000 of the Series 2006 debt. Payments on the swap agreement were suspended until November 1, 2013. Under the terms of the interest rate swap, the Hospital receives variable interest rate payments equal to 67% of the 30-day London Interbank Offered Rate (LIBOR) and makes fixed interest rate payments of 3.56% (previously 3.669%) annually to the counterparty, thereby creating the equivalent of fixed rate debt. Payments under the swap contract are based on a notional amount of $15,000,000 (previously $11,250,000), which amortizes in accordance with scheduled principal payments on the Series 2006 debt. The net difference between the amounts received from and paid to the counterparty is recorded within interest expense. During 2012 and 2011, the net settlement payments to the counterparty were approximately $99,000 and $395,000, respectively. The contract expires on September 1, 2036. As of September 30, 2012 and 2011, the estimated market value of the swap contract is a liability of approximately $3,568,000 and $2,771,000, respectively, and is recorded in other long-term liabilities in the accompanying balance sheets.

Changes in the fair value of the effective portion of the interest rate swap agreements are reported directly to unrestricted net assets. Hedge ineffectiveness will be measured as the excess, if any, of the change in value of the actual hedge instrument over the change in value of the hypothetical hedge instrument. Any ineffective portion of the change in fair value of a derivative instrument is reported within interest expense. In 2008, the hedge was determined to be ineffective for a portion of the year and remains ineffective at September 30, 2012. Therefore, the change in fair value of the interest rate swap agreement of $797,000 in 2012 and $502,000 in 2011 was charged directly to interest expense. The Hospital amortizes the cumulative effective portion of the swap included as an increase of unrestricted net assets to interest expense through the maturity date of the swap agreement. The effective portion of the swap is being amortized using the bonds outstanding method. The

unamortized effective portion of the change in fair value of the swap was $522,000 and $546,000 as of September 30, 2012 and 2011, respectively.

By using derivative financial instruments to hedge exposures to changes in interest rates, the Hospital exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the Hospital, which creates credit risk for the Hospital. When the fair value of a derivative contract is negative, the Hospital owes the counterparty, and therefore, it does not possess credit risk. The Hospital minimized the credit risk in derivative instruments by entering into a transaction with a high-quality counterparty. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with the interest rate contract is managed by limiting the types and degree of market risk that may be undertaken. The Hospital has no derivative instruments other than the interest rate swap agreement.

(7) Leases

The Hospital has entered into noncancelable operating leases, primarily for clinic buildings, diagnostic equipment, and medical equipment that expire over the next 10 years. These leases generally contain renewal options for periods ranging from one to five years and require the Hospital to pay all executory costs such as maintenance and insurance. Rental payments include minimum rentals.

Minimum rent payments under operating leases are recognized on a straight-line basis over the term of the lease including any periods of free rent. Total rental expense for noncancelable operating leases for the years ended September 30, 2012 and 2011 was approximately $959,000 and $1,038,000, respectively.

Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of September 30, 2012 are as follows (in thousands):

		Operating leases
Year ending September 30:		
2013	$	531
2014		504
2015		433
2016		181
2017		116
After 2018		20
Total	$	1,785

(8) Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for reimbursement at amounts different from the Hospital's established rates. Contractual adjustments under third-party reimbursement programs represent the difference between established rates for services and amounts reimbursed by third-party payors.

Inpatient acute care services and related capital costs 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 outpatient services related to Medicare beneficiaries are paid based upon either established fee screens or prevailing rates. Effective December 22, 2006, the Hospital was designated as a Medicare Dependent Hospital for reimbursement purposes. The designation resulted in additional reimbursement for inpatient services of approximately $1,503,000 and $1,737,000 for the years ended September 30, 2012 and 2011, respectively. The legislation for Medicare Dependent Hospital status ended on September 30, 2012. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through fiscal year ended September 30, 2009. The percentage of net patient service revenue applicable to services provided to Medicare patients was approximately 29% and 28% in 2012 and 2011, respectively.

In 2009, the State enacted an assessment tax on all hospitals. The State used these funds plus additional funds received from the federal government to increase the reimbursements under its Medicaid program. The Hospital received additional reimbursement of approximately $3,065,000 included in net patient service revenue and paid a tax of $1,912,000 included in other expenses for a net increase to income from operations of $1,153,000 for the year ended September 30, 2012. The Hospital received additional reimbursement of approximately $3,119,000 included in net patient service revenue and paid a tax of $1,917,000 included in other expenses for a net increase to income from operations of $1,202,000 for the year ended September 30, 2011.

Under certain provisions of the American Recovery and Reinvestment Act of 2009 (ARRA), federal incentive payments are available to hospitals, physicians and certain other professionals (Providers) when they adopt, implement or upgrade (AIU) certified electronic health record (EHR) technology or become "meaningful users," as defined under ARRA, of EHR technology in ways that demonstrate improved quality, safety and effectiveness of care. Providers can become eligible for annual Medicare incentive payments by demonstrating meaningful use of EHR technology in each period over four periods. Medicaid providers can receive their initial incentive payment by satisfying AIU criteria, but must demonstrate meaningful use of EHR technology in subsequent years in order to qualify for additional payments. Providers may be eligible for both Medicare and Medicaid EHR incentive payments; however, physicians and other professionals may be eligible for either Medicare or Medicaid incentive payments, but not both. Providers that are meaningful users under the Medicare EHR incentive payment program are deemed meaningful users under the Medicaid EHR incentive payment program and do not need to meet additional criteria imposed by a state. Medicaid EHR incentive payments to Providers are 100% federally funded and administered by the states. The Centers for Medicare and Medicaid Services (CMS) established calendar year 2011 as the first year states could offer EHR incentive payments. Before a state may offer EHR incentive payments, the state must submit and CMS must approve the state's incentive plan. The Hospital recognizes Medicaid EHR incentive payments in the statements of operations for the first payment year when: (1) CMS approved the State of Wisconsin's (the State) EHR incentive plan; and (2) The Provider or employed providers acquire certified EHR technology (i.e., when AIU criteria are met). Medicaid EHR incentive payments for subsequent payment years are recognized in the period during which the specified meaningful use criteria are met. The Hospital recognizes Medicare EHR incentive payments when: (1) the specified meaningful use criteria are met; and (2) contingencies in estimating the amount of the incentive payments to be received are resolved. During the year ended September 30, 2012, the Hospital and certain employed providers satisfied the CMS AIU and/or meaningful use criteria. As a result, the Hospital

recognized approximately $2,300,000 of EHR incentive payments as other operating revenue in the statement of operations and changes in unrestricted net assets for that period.

Patients' accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of patients' accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and provision for bad debts, if necessary. For receivables associated with patient responsibility (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 patients are screened against the Hospital's charity care policy and uninsured discount policy. For any remaining patient responsibility balance, the Hospital records a 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 charged off against the allowance for doubtful accounts.

The Hospital's allowance for uncollectible accounts for self-pay patients, which includes uninsured patients and residual copayments and deductibles for which managed care has already paid, decreased to 58.8% of self-pay accounts receivable at September 30, 2012 from 68.8% of self-pay accounts receivable at September 30, 2011. In addition, the Hospital's self-pay write-offs increased $831,000 to $5,322,000 for fiscal year 2012 from $4,491,000 for fiscal year 2011. The Hospital has not changed its charity care or uninsured discount policies during fiscal years 2012 or 2011. The Hospital does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant write-offs from third-party payors.

The Hospital recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue for services provided (on the basis of discounted rates, as provided by policy). On the basis of historical experience, a portion of the Hospital's provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized for the years ended September 30, 2012 and 2011 from these major payor sources is as follows (in thousands):

		2012	2011
Medicare	$	26,589	25,704
Medicaid		5,891	6,115
Manager care and contracted payor		50,253	48,928
Commercial		4,107	4,437
Self-pay and other		9,127	8,017
Net patient service revenues	$	95,967	93,201

(Continued)

(9) Charity Care

The Hospital maintains records to identify and monitor the level of charity care it provides. The following information measures the level of charity care provided for the years ended September 30 (in thousands):

	2012	2011
Costs incurred for services provided under the charity care program	$ 896	887

(10) Concentration of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of gross receivables from patients and third-party payors at September 30 is summarized as follows:

	2012	2011
Medicare	31%	30%
HMO/PPO	29	27
Commercial insurance	5	11
Other third-party payors	15	14
Patients	20	18
Total	100%	100%

(11) Pension Plan, Deferred Compensation, and Health Insurance

The Hospital sponsors a noncontributory defined-contribution pension plan that covers substantially all full-time employees who meet the length-of-service requirements. The Hospital contributes 5% of a participant's compensation to the pension plan. The plan is funded on a current basis with each payroll period. Pension expense under this plan amounted to approximately $1,613,000 and $1,430,000 for the years ended September 30, 2012 and 2011, respectively. Hospital contributions to the pension plan were suspended in December 2012.

The Hospital sponsors a Section 403(b) defined contribution retirement plan covering substantially all employees of the Hospital. Eligible employees may begin contributing to the plan on the first day of employment. Employees qualify for a matching contribution after completing one year of service and working 1,000 hours as defined in the plan document. The Hospital makes matching contributions of 50% up to 6% of the employees compensation, subject to the limitations of the Internal Revenue Code. The Hospital made contributions recognized as expense of approximately $730,000 and $674,000 for the years ended September 30, 2012 and 2011, respectively.

The Hospital also sponsors a deferred compensation plan whereby highly compensated employees can defer a portion of their salary until the date of termination or retirement. The Hospital does not contribute to this plan. In addition, the Hospital sponsors a non-qualified deferred compensation plan for certain Hospital executives to which the Hospital made contributions of $275,000 in fiscal 2012. The amounts of

the assets and liabilities for these plans are $1,202,000 and $567,000 at September 30, 2012 and 2011, respectively, and are included in other noncurrent assets and deferred compensation.

The Hospital has a self-insured dental plan that covers substantially all liability for costs associated with claims for employees up to certain limits under a commercial stop-loss agreement. Included in other accrued expenses are estimated amounts payable for dental insurance claims, including provision for the ultimate cost of incurred but not reported claims. Benefit payments and administrative costs related to this plan approximated $234,000 and $198,000 for the years ended September 30, 2012 and 2011, respectively.

(12) Medical Office Buildings

The Hospital owns and operates two medical office buildings located on its campus and leases office space in these buildings primarily to physicians. Insurance, maintenance, and upkeep of the facilities are the responsibility of the Hospital. For the years ended September 30, 2012 and 2011, the Hospital has recorded $531,000 and $498,000, respectively, of rental income and is included in nonoperating gains and losses. These operating lease agreements provide for monthly rental payments, which approximate the costs of operating and owning the facilities. The future minimum rentals to be received under these agreements are as follows (in thousands):

2013	$	16
2014		16
2015		17
2016		17
Total	$	66

(13) Resident Deposits Payable

Residents of Highland Village Apartments in Watertown and Waterloo, Wisconsin are required to pay an accommodation fee to the Hospital for the cost of the apartment due upon signing a contract. The Hospital records approximately 80% of the accommodation fee as resident deposits payable and the remaining nonrefundable portion of 20% as deferred revenue, which is amortized over a 10-year period. The refundable portion of the deposit is payable to the resident upon termination of the contract. The Hospital recorded approximately $167,000 and $198,000 of accommodation fee revenue in 2012 and 2011, respectively, included in nonoperating gains and losses, net.

(14) Professional Liability

The Hospital has professional liability insurance with limits of $1,000,000 per claim and $3,000,000 in aggregate for claims made during a policy year (claims-made basis). The Hospital also has professional liability insurance for its employed physicians, with limits of $1,000,000 per claim and $3,000,000 in aggregate for claims made during a policy year (claims-made basis). Losses in excess of the professional liability insurance are fully covered through the Hospital's mandatory participation in the Wisconsin Injured Patients and Families Compensation Fund. No liability for claims incurred but not reported as of the balance sheet date has been provided based on management's assessment of hospital specific claim incurral and reporting patterns.

(Continued)

(15) Regulatory Investigations

The U.S. Department of Justice and other federal agencies routinely conduct regulatory investigations and compliance audits of healthcare providers. The Hospital is subject to these regulatory efforts. Management is currently unaware of any regulatory matters that may have a material effect on the Hospital's financial position or results of operations.

(16) Subsequent Events

The Hospital evaluated events and transactions through December 20, 2012, the date the financial statements were issued, noting no additional subsequent events requiring recording or disclosure in the financial statements or related notes to the financial statements.

Additional Data

Software ID:
Software Version:
EIN: 39-1030310
Name: Watertown Regional Medical Center Inc

Form 990, Part VII - Compensation of Officers, Directors,Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
Jeff Baum Board Chairman	2 0	X		X				0	0	0
Lyle Wuestenberg Board Vice-Chair	2 0	X		X						
Fred Albertz Board of Director	2 0	X								
Ron Sokovich Board of Director & Physician-	4 0 0	X						347,794		38,340
Michael Dallman Board of Director	2 0	X								
Mike Sullivan MD Board of Director	2 0	X								
John Bauer Board of Director	2 0	X						0	0	0
Emily Stoddard MD Board of Director	2 0	X								
Fred Gremmels MD Board of Director	2 0	X								
Tim Schuler Board of Director	2 0	X								
Marcy Tessmann Board of Director	2 0	X								
Tricia Voigt Board of Director	2 0	X								
Diane Heatley MD Board Vice-Chair	2 0	X		X						
John Kosanovich President	4 0 0	X		X				352,562		51,593
Daphne Holterman Board of Director	2 0	X								
Sandhya Garg MD Board of Director	2 0	X								
John Graf Vice President & Treasurer	4 0 0			X				201,893		31,355
Jennifer Laughlin Vice President & CIO	4 0 0			X				123,042		21,709
Duane Floyd Vice President of Human Resour	4 0 0			X				132,618		26,951
Lori Schwenkner Secretary	4 0 0			X				49,972		18,176
Tina Crave Chief Experience Officer	4 0 0			X				99,334		29,075
Jacklynn Lesniak VP of Patient Services	4 0 0			X				158,111		26,113
Jeff Meade MD Chief Medical Officer	2 4 0			X				135,054		22,696
Tahmina Aafreen Physician OBGYN	4 0 0					X		407,660		30,885
T Mark Roman Physician	4 0 0					X		596,702		22,743

Form 990, Part VII - Compensation of Officers, Directors,Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
Edward Hoy Physician	40 0					X		341,982		41,761
Steven Rhodes Physician	40 0					X		457,148		40,430
Katherine Skaggs Physician	40 0					X		358,419		29,754
Kathleen Hargarten Board Of Director	0 0						X	96,103		822