

Bob Wilson Memorial Grant County Hospital
A Component Unit of Grant County, Kansas

Independent Auditor's Report and Financial Statements

December 31, 2012 and 2011



Bob Wilson Memorial Grant County Hospital
A Component Unit of Grant County, Kansas
December 31, 2012 and 2011

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Independent Auditor's Report

Board of Trustees
Bob Wilson Memorial Grant County Hospital
Ulysses, Kansas

We have audited the accompanying financial statements of Bob Wilson Memorial Grant County Hospital, a component unit of Grant County, Kansas, which comprise the balance sheet as of December 31, 2012, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Kansas Municipal Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bob Wilson Memorial Grant County Hospital as of December 31, 2012, and changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Year Audited by Other Auditors

The 2011 financial statements were audited by other auditors and their report thereon, dated August 13, 2012, expressed an unmodified opinion. The supplementary information for the year ended December 31, 2011, was audited by other auditors whose report dated August 13, 2012, expressed an unmodified opinion on such information in relation to the basic financial statements for the year ended December 31, 2011, taken as a whole.

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Net Patient Service Revenue and Operating Expenses listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information for the year ended December 31, 2012, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information for the year ended December 31, 2012, is fairly stated in all material respects in relation to the financial statements as a whole.

BKD, LLP

Wichita, Kansas
June 13, 2013

Bob Wilson Memorial Grant County Hospital
A Component Unit of Grant County, Kansas

Balance Sheets
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Assets		
Current Assets		
Cash	\$ 1,544,541	\$ 1,945,316
Short-term certificates of deposit	1,007,657	1,004,256
Patient accounts receivable, net of allowance; 2012 - \$712,000, 2011 - \$614,000	2,980,755	2,054,091
Estimated amounts due from Medicare and Medicaid	360,000	642,924
Supplies	316,018	280,812
Prepaid expenses and other	<u>193,248</u>	<u>202,051</u>
Total current assets	6,402,219	6,129,450
Capital Assets, Net	<u>24,917,527</u>	<u>26,403,117</u>
Total assets	<u><u>\$ 31,319,746</u></u>	<u><u>\$ 32,532,567</u></u>
 Liabilities and Net Position		
Current Liabilities		
Current maturities of long-term debt	\$ 756,025	\$ 579,019
Accounts payable	391,398	161,001
Accrued expenses	<u>725,532</u>	<u>797,687</u>
Total current liabilities	1,872,955	1,537,707
Long-term Debt	<u>489,191</u>	<u>930,831</u>
Total liabilities	<u>2,362,146</u>	<u>2,468,538</u>
Net Position		
Net investment in capital assets	23,672,311	24,893,267
Unrestricted	<u>5,285,289</u>	<u>5,170,762</u>
Total net position	<u>28,957,600</u>	<u>30,064,029</u>
Total liabilities and net position	<u><u>\$ 31,319,746</u></u>	<u><u>\$ 32,532,567</u></u>

Bob Wilson Memorial Grant County Hospital
A Component Unit of Grant County, Kansas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2012 - \$772,000, 2011 - \$929,000	\$ 11,292,921	\$ 10,995,640
Other	<u>99,149</u>	<u>96,997</u>
Total operating revenues	<u>11,392,070</u>	<u>11,092,637</u>
Operating Expenses		
Salaries and wages	6,067,007	6,301,179
Employee benefits	1,294,829	1,056,655
Purchased services and professional fees	1,648,914	1,523,718
Supplies and other	2,484,574	2,439,839
Depreciation	<u>2,099,940</u>	<u>2,091,734</u>
Total operating expenses	<u>13,595,264</u>	<u>13,413,125</u>
Operating Loss	<u>(2,203,194)</u>	<u>(2,320,488)</u>
Nonoperating Revenues (Expenses)		
Intergovernmental revenue	1,049,843	1,549,834
Interest income	5,956	7,251
Interest expense	(56,338)	(28,866)
Noncapital grants and contributions	14,595	28,609
Other	<u>62,709</u>	<u>61,371</u>
Total nonoperating revenues (expenses)	<u>1,076,765</u>	<u>1,618,199</u>
Deficiency of Revenue Over Expenses Before Capital Grants and Gifts	<u>(1,126,429)</u>	<u>(702,289)</u>
Capital Grants and Gifts	<u>20,000</u>	<u>-</u>
Decrease in Net Position	<u>(1,106,429)</u>	<u>(702,289)</u>
Net Position, Beginning of Year	<u>30,064,029</u>	<u>30,766,318</u>
Net Position, End of Year	<u><u>\$ 28,957,600</u></u>	<u><u>\$ 30,064,029</u></u>

Bob Wilson Memorial Grant County Hospital
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Statements of Cash Flows
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating Activities		
Receipts from and on behalf of patients	\$ 10,649,181	\$ 11,054,314
Payments to suppliers and contractors	(3,929,494)	(4,724,100)
Payments to and on behalf of employees	(7,433,991)	(7,684,736)
Other receipts, net	<u>99,149</u>	<u>96,997</u>
Net cash used in operating activities	<u>(615,155)</u>	<u>(1,257,525)</u>
Noncapital Financing Activities		
Property taxes supporting operations	1,049,843	1,549,834
Noncapital grants and gifts	14,595	28,609
Other	<u>62,709</u>	<u>61,371</u>
Net cash provided by noncapital financing activities	<u>1,127,147</u>	<u>1,639,814</u>
Capital and Related Financing Activities		
Capital grants and gifts	20,000	-
Proceeds from capital lease	-	1,745,355
Principal paid on capital lease	(732,634)	(279,600)
Interest paid on capital lease	(56,338)	(28,866)
Purchase of capital assets	<u>(146,350)</u>	<u>(283,606)</u>
Net cash provided by (used in) capital and related financing activities	<u>(915,322)</u>	<u>1,153,283</u>
Investing Activities		
Purchase of short-term certificate of deposit	(1,007,657)	(1,004,256)
Maturities of short-term certificate of deposit	1,004,256	1,001,274
Interest income received	<u>5,956</u>	<u>7,251</u>
Net cash provided by investing activities	<u>2,555</u>	<u>4,269</u>
Increase (Decrease) in Cash	(400,775)	1,539,841
Cash, Beginning of Year	<u>1,945,316</u>	<u>405,475</u>
Cash, End of Year	<u><u>\$ 1,544,541</u></u>	<u><u>\$ 1,945,316</u></u>

Bob Wilson Memorial Grant County Hospital
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Statements of Cash Flows (Continued)
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Used in Operating Activities		
Operating loss	\$ (2,203,194)	\$ (2,320,488)
Depreciation	2,099,940	2,091,734
Changes in operating assets and liabilities		
Patient accounts receivable, net	(926,664)	367,191
Estimated amounts due from and to Medicare	282,924	(308,517)
Accounts payable and accrued expenses	158,242	(1,094,735)
Other assets	<u>(26,403)</u>	<u>7,290</u>
Net cash used in operating activities	<u>\$ (615,155)</u>	<u>\$ (1,257,525)</u>
Supplemental Cash Flows Information		
Capital lease obligations incurred for capital assets	\$ 468,000	\$ 44,095

Bob Wilson Memorial Grant County Hospital

A Component Unit of Grant County, Kansas

Notes to Financial Statements

December 31, 2012 and 2011

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

Nature of Operations and Reporting Entity

Bob Wilson Memorial Grant County Hospital (Hospital) is an acute care hospital located in Ulysses, Kansas. The Hospital is a component unit of Grant County, Kansas (County) and the Board of County Commissioners appoints members to the Board of Trustees of the Hospital. The Hospital primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in the Grant County area. It also operates a home health agency in the same geographic area.

Basis of Accounting and Presentation

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

The Hospital prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

Use of Estimates

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

Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2012 and 2011, there were no cash equivalents.

Pursuant to legislation enacted in 2010, the FDIC fully insured all noninterest-bearing transaction accounts beginning December 31, 2010 through December 31, 2012, at all FDIC-insured institutions. This legislation expired on December 31, 2012. Beginning January 1, 2013, noninterest-bearing transaction accounts are subject to the \$250,000 limit on FDIC insurance per covered institution.

Bob Wilson Memorial Grant County Hospital

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Notes to Financial Statements

December 31, 2012 and 2011

Intergovernmental Revenue

The Hospital received approximately 8% in 2012 and 12% in 2011, respectively, of its financial support from intergovernmental revenue derived from property taxes levied by the County. One hundred percent of these funds were used to support operations.

Property taxes are assessed by the County in November of one year and are received beginning in January of the following year. Intergovernmental revenue is recognized in full in the year in which use is first permitted.

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Patient Accounts Receivable

The Hospital reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Hospital provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Supplies

Supply inventories are stated at the lower of cost, determined using the first-in, first-out method, or market.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Hospital:

Land improvements	10 – 12 years
Buildings	5 – 40 years
Fixed equipment	5 – 25 years
Major moveable equipment	3 – 20 years

Bob Wilson Memorial Grant County Hospital

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Notes to Financial Statements

December 31, 2012 and 2011

Compensated Absences

Hospital policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments, such as social security and Medicare taxes, computed using rates in effect at that date.

Net Position

Net position of the Hospital is classified in two components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Unrestricted net position is remaining assets less remaining liabilities that do not meet the definition of net investment in capital assets.

Net Patient Service Revenue

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

Charity Care

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

Income Taxes

As an essential government function of the County, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

Bob Wilson Memorial Grant County Hospital

A Component Unit of Grant County, Kansas

Notes to Financial Statements

December 31, 2012 and 2011

Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made to the 2011 financial statements to conform to the 2012 presentation. The reclassifications had no effect on the changes in financial position.

Note 2: Net Patient Service Revenue

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

Medicare. Inpatient acute care services and skilled swing-bed services are paid at cost, subject to certain limitations, under a demonstration project with Medicare. Substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge or per billable service unit. The outpatient payment rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Home health services are paid on a per episode basis using clinical, diagnostic and other factors. Rural health clinic services are paid based on a cost reimbursement methodology. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare Administrative Contractor.

Medicaid. Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a prospective reimbursement methodology. Due to certain financial and clinical criteria, the Hospital also receives Medicaid disproportionate share (DSH) funding. Medicaid DSH payments were approximately \$792,000 in 2012 and \$1,303,000 in 2011.

Approximately 50% of net patient service revenues are from participation in the Medicare and state-sponsored Medicaid programs for both the years ended December 31, 2012 and 2011. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

Bob Wilson Memorial Grant County Hospital

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Notes to Financial Statements

December 31, 2012 and 2011

Patient Protection and Affordable Care Act

The *Patient Protection and Affordable Care Act* (PPACA) will substantially reform the United States health care system. The legislation impacts multiple aspects of the health care system, including many provisions that change payments from Medicare, Medicaid and insurance companies. Starting in 2014, the legislation requires the establishment of health insurance exchanges, which will provide individuals without employer provided health care coverage the opportunity to purchase insurance. It is anticipated that some employers currently offering insurance to employees will opt to have employees seek insurance coverage through the insurance exchanges. It is possible that the reimbursement rates paid by insurers participating in the insurance exchanges may be substantially different than rates paid under current health insurance products. Another significant component of the PPACA is the expansion of the Medicaid program to a wide range of newly eligible individuals. In anticipation of this expansion, payments under certain existing programs, such as Medicare disproportionate share, will be substantially decreased. Each state's participation in an expanded Medicaid program is optional.

The state of Kansas has not yet indicated whether or not it will participate in the expansion of the Medicaid program. The legislature has passed HCR 5013 indicating it does not intend to pursue Medicaid expansion, however, that is not yet law as of the date of this report. The impact of that decision on the overall reimbursement of the Hospital cannot be quantified at this point.

The PPACA is extremely complex and may be difficult for the federal government and each state to implement. While the overall impact of the PPACA cannot currently be estimated, it is possible that it will have a negative impact on the Hospital's net patient service revenue. Additionally, it is possible the Hospital will experience payment delays and other operational challenges during the PPACA's implementation.

Note 3: Deposits

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

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

At December 31, 2012 and 2011, respectively, none of the Hospital's bank balances of \$2,674,160 and \$3,080,912 were exposed to custodial credit risk.

Bob Wilson Memorial Grant County Hospital
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Notes to Financial Statements

December 31, 2012 and 2011

Summary of Carrying Values

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

	2012	2011
Carrying value		
Deposits	\$ 2,551,504	\$ 2,948,878
Petty cash	694	694
	<u>\$ 2,552,198</u>	<u>\$ 2,949,572</u>
Included in the following balance sheet captions		
Cash	\$ 1,544,541	\$ 1,945,316
Short-term certificate of deposit	1,007,657	1,004,256
	<u>\$ 2,552,198</u>	<u>\$ 2,949,572</u>

Note 4: Patient Accounts Receivable

The Hospital grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable as of December 31, 2012 and 2011, consisted of:

	2012	2011
Medicare	\$ 592,457	\$ 610,559
Medicaid	183,711	191,028
Blue Cross	364,389	186,135
Other third-party payers	785,914	567,992
Patients	1,766,597	1,112,831
	<u>3,693,068</u>	<u>2,668,545</u>
Less allowance for uncollectible accounts	712,313	614,454
	<u>\$ 2,980,755</u>	<u>\$ 2,054,091</u>

Bob Wilson Memorial Grant County Hospital

A Component Unit of Grant County, Kansas

Notes to Financial Statements

December 31, 2012 and 2011

Note 5: Capital Assets

Capital assets activity for the years ended December 31, 2012 and 2011, was:

	2012				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land improvements	\$ 345,198	\$ -	\$ -	\$ -	\$ 345,198
Buildings	28,526,958	10,903	-	-	28,537,861
Fixed equipment	1,403,209	27,694	-	-	1,430,903
Major moveable equipment	6,195,283	367,320	-	118,707	6,681,310
Construction in progress	257,175	208,433	-	(118,707)	346,901
	<u>36,727,823</u>	<u>614,350</u>	<u>-</u>	<u>-</u>	<u>37,342,173</u>
Less accumulated depreciation					
Land improvements	80,181	20,054	-	-	100,235
Buildings	5,841,035	1,383,680	-	-	7,224,715
Fixed equipment	534,415	77,745	-	-	612,160
Major moveable equipment	3,869,075	618,461	-	-	4,487,536
	<u>10,324,706</u>	<u>2,099,940</u>	<u>-</u>	<u>-</u>	<u>12,424,646</u>
Capital Assets, Net	<u>\$ 26,403,117</u>	<u>\$ (1,485,590)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,917,527</u>

	2011				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land improvements	\$ 345,198	\$ -	\$ -	\$ -	\$ 345,198
Buildings	28,523,900	3,058	-	-	28,526,958
Fixed equipment	1,403,209	-	-	-	1,403,209
Major moveable equipment	5,879,114	316,169	-	-	6,195,283
Construction in progress	248,701	8,474	-	-	257,175
	<u>36,400,122</u>	<u>327,701</u>	<u>-</u>	<u>-</u>	<u>36,727,823</u>
Less accumulated depreciation					
Land improvements	60,128	20,053	-	-	80,181
Buildings	4,436,478	1,404,557	-	-	5,841,035
Fixed equipment	449,218	85,197	-	-	534,415
Major moveable equipment	3,287,148	581,927	-	-	3,869,075
	<u>8,232,972</u>	<u>2,091,734</u>	<u>-</u>	<u>-</u>	<u>10,324,706</u>
Capital Assets, Net	<u>\$ 28,167,150</u>	<u>\$ (1,764,033)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,403,117</u>

Bob Wilson Memorial Grant County Hospital

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Notes to Financial Statements

December 31, 2012 and 2011

Note 6: Medical Malpractice Coverage and Claims

The Hospital purchases medical malpractice insurance under a claims-made policy with a fixed premium which provides \$200,000 of coverage for each medical incident and \$600,000 of aggregate coverage for each policy year. The policy only covers claims made and reported to the insurer during the policy term, regardless of when the incident giving rise to the claim occurred. The Kansas Health Care Stabilization Fund provides an additional \$800,000 of coverage for each medical incident and \$2,400,000 of aggregate coverage for each policy year.

Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the future.

Note 7: Long-term Debt

The following is a summary of long-term debt transactions for the Hospital for the years ended December 31, 2012 and 2011:

	2012				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Capital lease obligations	\$ 1,509,850	\$ 468,000	\$ 732,634	\$ 1,245,216	\$ 756,025
	2011				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Capital lease obligations	\$ -	\$ 1,789,450	\$ 279,600	\$ 1,509,850	\$ 579,019

Bob Wilson Memorial Grant County Hospital

A Component Unit of Grant County, Kansas

Notes to Financial Statements

December 31, 2012 and 2011

Capital Lease Obligations

The Hospital is obligated under leases for equipment that are accounted for as capital leases. Assets under capital lease as of December 31, 2012 and 2011, totaled \$448,240 and \$736,876, respectively, net of accumulated depreciation of \$1,195,053 and \$904,416, respectively. The following is a schedule by year of future minimum lease payments under the capital lease including interest at rates of 3.50% - 8.60% together with the present value of the future minimum lease payments as of December 31, 2012:

Year Ending December 31,	
2013	\$ 789,274
2014	479,172
2015	10,804
2016	8,913
Total minimum lease payments	<u>1,288,163</u>
Less amount representing interest	<u>42,947</u>
Present value of future minimum lease payments	<u><u>\$ 1,245,216</u></u>

Note 8: Pension Plan

The Hospital contributes to a defined contribution pension plan covering substantially all employees. Pension expense is recorded for the amount of the Hospital's required contributions, determined in accordance with the terms of the plan. The plan is administered by a board of trustees appointed by the Board of County Commissioners. The plan is a replacement for social security and provides retirement benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the Hospital's governing body. Plan members are required to contribute 6% of their covered compensation. The Hospital is required to match full-time employee contributions and contribute 1.5% of part-time employees' effective compensation. Contributions actually made by plan members and the Hospital aggregated \$353,266 and \$345,544 during 2012 and \$371,753 and \$380,001 during 2011, respectively.

Supplementary Information

Bob Wilson Memorial Grant County Hospital
A Component Unit of Grant County, Kansas
Schedules of Net Patient Service Revenues
Years Ended December 31, 2012 and 2011

	2012		
	Inpatient	Outpatient	Total
Nursing Services			
Acute hospital	\$ 2,044,131	\$ -	\$ 2,044,131
Nursery	54,264	-	54,264
	<u>2,098,395</u>	<u>-</u>	<u>2,098,395</u>
Other Professional Services			
Operating room	499,357	2,041,826	2,541,183
Delivery room	-	-	-
Anesthesiology	166,776	795,926	962,702
Radiology	243,846	2,125,064	2,368,910
Laboratory	441,119	1,855,431	2,296,550
Respiratory services	557,225	233,644	790,869
Physical therapy	91,968	638,019	729,987
Electrocardiology	22,880	96,239	119,119
Central service	189,887	494,981	684,868
Pharmacy	489,703	716,384	1,206,087
Rural health clinic	-	1,294,050	1,294,050
Speciality clinics	29,357	1,353,390	1,382,747
Home health	-	59,175	59,175
Emergency room	122,937	2,486,352	2,609,289
Observation	2,646	13,115	15,761
	<u>2,857,701</u>	<u>14,203,596</u>	<u>17,061,297</u>
	<u>\$ 4,956,096</u>	<u>\$ 14,203,596</u>	<u>19,159,692</u>
Contractual Allowances and Charity Care			7,094,978
Provision for Uncollectible Accounts			<u>771,793</u>
Net Patient Service Revenue			<u><u>\$ 11,292,921</u></u>

2011		
Inpatient	Outpatient	Total
\$ 1,938,881	\$ -	\$ 1,938,881
70,224	-	70,224
2,009,105	-	2,009,105
659,813	2,393,865	3,053,678
189,132	-	189,132
239,276	903,358	1,142,634
263,042	2,271,786	2,534,828
467,848	1,892,855	2,360,703
296,310	121,035	417,345
63,205	224,389	287,594
25,740	114,042	139,782
421,840	536,321	958,161
506,134	678,020	1,184,154
-	1,241,835	1,241,835
27,969	1,693,168	1,721,137
-	67,874	67,874
159,320	2,360,982	2,520,302
3,294	13,888	17,182
3,322,923	14,513,418	17,836,341
\$ 5,332,028	\$ 14,513,418	19,845,446
		7,920,958
		928,848
		\$ 10,995,640

Bob Wilson Memorial Grant County Hospital
A Component Unit of Grant County, Kansas
Schedules of Operating Expenses
Years Ended December 31, 2012 and 2011

	2012	
	Salaries	Other
	Total	
Nursing Services		
Nursing service	\$ 1,145,481	\$ 247,008
Nursery	-	8,427
Nursing administration	84,923	13,790
	<u>1,230,404</u>	<u>269,225</u>
		<u>1,499,629</u>
Other Professional Services		
Operating room	296,640	116,228
Delivery room	312,344	64,515
Anesthesiology	-	15,210
Radiology	211,155	442,223
Laboratory	284,768	289,051
Respiratory services	196,747	52,396
Physical therapy	179,703	42,683
Electrocardiology	23,352	3,461
Central service	108,689	312,786
Pharmacy	83,074	331,856
Specialty clinics	-	410,016
Rural health clinic	1,012,996	822,488
Emergency room	487,668	417,455
Home health	128,490	40,244
	<u>3,325,626</u>	<u>3,360,612</u>
		<u>6,686,238</u>
General Services		
Plant operation	113,486	428,727
Laundry	34,753	23,202
Housekeeping	141,157	40,511
Dietary	126,510	125,354
	<u>415,906</u>	<u>617,794</u>
		<u>1,033,700</u>
Administration Services		
Administration and general	941,976	773,246
Medical records	153,095	33,076
	<u>1,095,071</u>	<u>806,322</u>
		<u>1,901,393</u>
Employee Benefits		
		<u>374,364</u>
		<u>374,364</u>
Depreciation		
		<u>2,099,940</u>
		<u>2,099,940</u>
	<u>\$ 6,067,007</u>	<u>\$ 7,528,257</u>
		<u>\$ 13,595,264</u>

2011		
Salaries	Other	Total
\$ 1,074,709	\$ 238,138	\$ 1,312,847
-	2,240	2,240
88,824	13,581	102,405
1,163,533	253,959	1,417,492
365,547	128,726	494,273
376,769	62,211	438,980
-	14,690	14,690
223,141	390,338	613,479
278,096	327,545	605,641
196,498	47,219	243,717
58,066	63,404	121,470
22,401	6,598	28,999
110,275	329,110	439,385
88,467	307,720	396,187
-	410,016	410,016
1,211,004	663,653	1,874,657
566,985	386,109	953,094
106,297	73,319	179,616
3,603,546	3,210,658	6,814,204
113,139	419,126	532,265
33,973	17,279	51,252
146,584	40,680	187,264
128,666	115,298	243,964
422,362	592,383	1,014,745
958,619	773,690	1,732,309
153,119	67,706	220,825
1,111,738	841,396	1,953,134
	121,816	121,816
	2,091,734	2,091,734
\$ 6,301,179	\$ 7,111,946	\$ 13,413,125