

Greenwood County Hospital
A Component Unit of Greenwood County, Kansas

Independent Accountants' Report and Financial Statements

September 30, 2012 and 2011



Greenwood County Hospital
A Component Unit of Greenwood County, Kansas
September 30, 2012 and 2011

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Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Trustees
Greenwood County Hospital
Eureka, Kansas

We have audited the accompanying balance sheets of Greenwood County Hospital (Hospital), a component unit of the County of Greenwood, Kansas, as of September 30, 2012 and 2011, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greenwood County Hospital as of September 30, 2012 and 2011, and its changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Hospital has omitted 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.

Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is 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 has been subjected to the auditing procedures applied in the audits 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 is fairly stated in all material respects in relation to the financial statements as a whole.

BKD, LLP

March 1, 2013

Greenwood County Hospital
A Component Unit of Greenwood County, Kansas
Balance Sheets
September 30, 2012 and 2011

	2012	2011
Assets		
Current Assets		
Cash	\$ 660,806	\$ 218,970
Patient accounts receivable, net of allowance; 2012 - \$1,599,000, 2011 - \$1,830,000	1,893,204	2,222,148
Sales tax receivable	108,576	100,137
Estimated amounts due from third-party payers	350,000	652,208
Supplies	203,407	212,664
Prepaid expenses and other	84,935	41,380
Total current assets	<u>3,300,928</u>	<u>3,447,507</u>
Noncurrent Cash and Investments		
Cash	213,513	75,783
Certificates of deposit	260,676	355,400
	<u>474,189</u>	<u>431,183</u>
Capital Assets, Net	<u>2,462,225</u>	<u>3,044,461</u>
Other Assets		
Rural health clinic organization costs	-	5,103
Loans to nurses, net of allowance; 2012 - \$14,000, 2011 - \$14,000	64,833	56,046
	<u>64,833</u>	<u>61,149</u>
Total assets	<u><u>\$ 6,302,175</u></u>	<u><u>\$ 6,984,300</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 1,338,513	\$ 830,403
Accrued expenses	618,716	566,939
Total current liabilities	<u>1,957,229</u>	<u>1,397,342</u>
Net Assets		
Invested in capital assets, net of related debt	2,462,225	2,829,194
Unrestricted	1,882,721	2,757,764
Total net assets	<u>4,344,946</u>	<u>5,586,958</u>
Total liabilities and net assets	<u><u>\$ 6,302,175</u></u>	<u><u>\$ 6,984,300</u></u>

Greenwood County Hospital
A Component Unit of Greenwood County, Kansas
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2012 - \$1,257,362, 2011 - \$952,876	\$ 11,271,960	\$ 11,235,909
Other	<u>70,129</u>	<u>77,745</u>
Total operating revenues	<u>11,342,089</u>	<u>11,313,654</u>
Operating Expenses		
Salaries and wages	6,261,390	6,183,225
Employee benefits	2,162,993	1,962,694
Purchased services	1,433,468	1,403,397
Drugs	296,165	331,800
Medical and surgical supplies	691,176	673,840
Professional fees	31,684	8,243
Dues and subscriptions	45,998	37,569
Food	88,832	100,330
Insurance	99,585	117,718
Repairs and maintenance	374,405	324,308
Telephone	75,491	78,685
Utilities	177,035	167,082
Supplies and other	802,968	870,842
Depreciation	<u>691,792</u>	<u>482,252</u>
Total operating expenses	<u>13,232,982</u>	<u>12,741,985</u>
Operating Loss	<u>(1,890,893)</u>	<u>(1,428,331)</u>
Nonoperating Revenues		
Sales tax revenue	641,465	585,251
Investment income	3,027	13,658
Noncapital gifts	<u>4,389</u>	<u>4,882</u>
Total nonoperating revenues	<u>648,881</u>	<u>603,791</u>
Decrease in Net Assets	(1,242,012)	(824,540)
Net Assets, Beginning of Year	<u>5,586,958</u>	<u>6,411,498</u>
Net Assets, End of Year	<u><u>\$ 4,344,946</u></u>	<u><u>\$ 5,586,958</u></u>

Greenwood County Hospital
A Component Unit of Greenwood County, Kansas
Statements of Cash Flows
Years Ended September 30, 2012 and 2011

	2012	2011
Operating Activities		
Receipts from and on behalf of patients	\$ 11,903,112	\$ 10,378,948
Payments to suppliers and contractors	(3,431,412)	(3,681,723)
Payments to employees	(8,372,606)	(8,306,605)
Other receipts, net	<u>70,129</u>	<u>77,745</u>
Net cash provided by (used in) operating activities	<u>169,223</u>	<u>(1,531,635)</u>
Noncapital Financing Activities		
Sales taxes supporting operations	633,026	575,861
Noncapital gifts	<u>4,389</u>	<u>4,882</u>
Net cash provided by noncapital financing activities	<u>637,415</u>	<u>580,743</u>
Capital and Related Financing Activities		
Purchases of capital assets	<u>(324,823)</u>	<u>(730,506)</u>
Net cash used in capital and related financing activities	<u>(324,823)</u>	<u>(730,506)</u>
Investing Activities		
Investment income	3,027	13,658
Maturities of certificates of deposit	355,400	1,020,923
Purchases of certificates of deposit	<u>(260,676)</u>	<u>(360,414)</u>
Net cash provided by investing activities	<u>97,751</u>	<u>674,167</u>
Increase (Decrease) in Cash	579,566	(1,007,231)
Cash, Beginning of Year	<u>294,753</u>	<u>1,301,984</u>
Cash, End of Year	<u><u>\$ 874,319</u></u>	<u><u>\$ 294,753</u></u>
Reconciliation of Cash to the Balance Sheets		
Cash in current assets	\$ 660,806	\$ 218,970
Cash in noncurrent cash and investments	<u>213,513</u>	<u>75,783</u>
Total cash	<u><u>\$ 874,319</u></u>	<u><u>\$ 294,753</u></u>

Greenwood County Hospital
A Component Unit of Greenwood County, Kansas
Statements of Cash Flows (Continued)
Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided by (Used in) Operating Activities		
Operating loss	\$ (1,890,893)	\$ (1,428,331)
Depreciation	691,792	482,252
Amortization of organization costs	5,103	16,848
Provision for uncollectible accounts	1,257,362	952,876
Changes in operating assets and liabilities		
Patient accounts receivable	(928,418)	(1,103,268)
Estimated amounts due from and to third-party payers	302,208	(706,569)
Supplies	9,257	17,516
Prepaid expenses and other	(43,555)	12,301
Accounts payable and accrued expenses	775,154	220,392
Other assets	<u>(8,787)</u>	<u>4,348</u>
Net cash provided by (used in) operating activities	<u>\$ 169,223</u>	<u>\$ (1,531,635)</u>
Supplemental Cash Flows Information		
Capital assets acquisitions included in accounts payable	\$ -	\$ 215,267

Greenwood County Hospital
A Component Unit of Greenwood County, Kansas
Notes to Financial Statements
September 30, 2012 and 2011

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

Nature of Operations and Reporting Entity

Greenwood County Hospital (Hospital) is an acute care hospital located in Eureka, Kansas. The Hospital is a component unit of Greenwood 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 Greenwood County area. It also operates a durable medical equipment store along with 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, such as intergovernmental revenue from property taxes, sales taxes, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Hospital first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

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

Use of Estimates

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

Greenwood County Hospital
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Notes to Financial Statements
September 30, 2012 and 2011

Sales Tax Revenue

The Hospital received approximately 5% of its financial support from the proceeds of sales taxes during both 2012 and 2011.

Sales tax revenue is recognized based on sales taxes collected by the County's retailers in the Hospital's accounting period.

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. The Hospital's capitalization policy is to capitalize assets acquired with a cost in excess of \$5,000. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the Hospital:

Land improvements	8 – 15 years
Buildings and building improvements	5 – 40 years
Fixed equipment	5 – 25 years
Major moveable equipment	3 – 20 years

Greenwood County Hospital
A Component Unit of Greenwood County, Kansas

Notes to Financial Statements

September 30, 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 included in accrued expenses on the accompanying balance sheets 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 Assets

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

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.

Greenwood County Hospital
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Notes to Financial Statements
September 30, 2012 and 2011

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 (IRS) and a similar provision of state law. The Hospital has obtained 501(c)(3) tax-exempt status with the IRS for purposes of participating in a Section 403(b) pension plan.

Electronic Health Records Incentive Program

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records technology (EHR). Critical access hospitals are eligible to receive incentive payments for up to four years under the Medicare program for its reasonable costs of the purchase of certified EHR technology multiplied by the hospital's Medicare utilization plus 20%, limited to 100% of the costs incurred. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services. Payment under both programs are contingent on the hospital continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year under both programs is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The Hospital will recognize revenue ratably over the reporting period starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific grant requirements applicable for the reporting period.

Subsequent Events

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

Greenwood County Hospital
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Notes to Financial Statements
September 30, 2012 and 2011

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. The Hospital is recognized as a Critical Access Hospital (CAH) and is paid at one hundred one percent (101%) of allowable costs for certain inpatient and outpatient services. The Hospital is reimbursed for certain services and cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor. Home health services are paid on a per-episode basis using clinical diagnostic and other factors.

Medicaid. The Medicaid State Plan provides for a cost reimbursement methodology for inpatient and outpatient services rendered to beneficiaries who are not part of a Medicaid managed care network. The Hospital is reimbursed at tentative rates with final settlements determined after submission of annual cost reports and reviews thereof by the Kansas Department of Health and Environment. The Hospital is reimbursed on a prospective payment methodology for inpatient and outpatient services rendered to beneficiaries who are part of a Medicaid managed care network.

Approximately 83% and 74% of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended September 30, 2012 and 2011, respectively. 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 and discounts from established charges.

Note 3: Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The 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.

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Notes to Financial Statements
September 30, 2012 and 2011

At September 30, 2012 and 2011, respectively, \$188,692 and \$143,238 of the Hospital's bank balances of \$1,287,350 and \$870,444 were exposed to custodial credit risk as follows:

	2012	2011
	<hr/>	<hr/>
Uninsured and collateral held by pledging financial institution's agent in other than the Hospital's name	<u>\$ 188,692</u>	<u>\$ 143,238</u>

Summary of Carrying Values

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

	2012	2011
	<hr/>	<hr/>
Carrying value Deposits	<u>\$ 1,134,995</u>	<u>\$ 650,153</u>
Included in the following balance sheet captions		
Cash in current assets	\$ 660,806	\$ 218,970
Cash in noncurrent cash and investments	213,513	75,783
Certificates of deposits in noncurrent cash and investments	<u>260,676</u>	<u>355,400</u>
	<u>\$ 1,134,995</u>	<u>\$ 650,153</u>

Investment Income

Investment income for the years ended September 30, 2012 and 2011, consisted of:

	2012	2011
	<hr/>	<hr/>
Interest income	<u>\$ 3,027</u>	<u>\$ 13,658</u>

Greenwood County Hospital
A Component Unit of Greenwood County, Kansas
Notes to Financial Statements
September 30, 2012 and 2011

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 at September 30, 2012 and 2011, consisted of:

	2012	2011
Medicare	\$ 1,242,586	\$ 1,558,832
Medicaid	57,510	48,237
Blue Cross	152,415	167,138
Other third-party payers	235,374	261,562
Patients	1,804,319	2,016,379
	<u>3,492,204</u>	<u>4,052,148</u>
Less allowance for uncollectible accounts	<u>1,599,000</u>	<u>1,830,000</u>
	<u><u>\$ 1,893,204</u></u>	<u><u>\$ 2,222,148</u></u>

Note 5: Capital Assets

Capital assets activity for the years ended September 30, 2012 and 2011, were:

	2012				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 45,835	\$ -	\$ -	\$ -	\$ 45,835
Land improvements	107,183	-	-	-	107,183
Buildings and building improvements	3,773,980	55,797	-	-	3,829,777
Fixed equipment	1,101,755	9,970	-	-	1,111,725
Major moveable equipment	5,764,498	43,789	-	-	5,808,287
	<u>10,793,251</u>	<u>109,556</u>	<u>-</u>	<u>-</u>	<u>10,902,807</u>
Less accumulated depreciation					
Land improvements	74,511	5,482	-	-	79,993
Buildings and building improvements	2,270,469	126,798	-	-	2,397,267
Fixed equipment	1,032,069	18,959	-	-	1,051,028
Major moveable equipment	4,371,741	540,553	-	-	4,912,294
	<u>7,748,790</u>	<u>691,792</u>	<u>-</u>	<u>-</u>	<u>8,440,582</u>
Capital assets, net	<u><u>\$ 3,044,461</u></u>	<u><u>\$ (582,236)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,462,225</u></u>

Greenwood County Hospital
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	2011				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 45,835	\$ -	\$ -	\$ -	\$ 45,835
Land improvements	96,206	-	-	10,977	107,183
Buildings and building improvements	3,773,980	-	-	-	3,773,980
Fixed equipment	1,045,168	40,325	-	16,262	1,101,755
Major moveable equipment	4,585,256	44,050	-	1,135,192	5,764,498
Construction in progress	659,811	502,620	-	(1,162,431)	-
	<u>10,206,256</u>	<u>586,995</u>	<u>-</u>	<u>-</u>	<u>10,793,251</u>
Less accumulated depreciation					
Land improvements	58,052	16,459	-	-	74,511
Buildings and building improvements	2,143,787	126,682	-	-	2,270,469
Fixed equipment	1,021,719	10,350	-	-	1,032,069
Major moveable equipment	4,042,980	328,761	-	-	4,371,741
	<u>7,266,538</u>	<u>482,252</u>	<u>-</u>	<u>-</u>	<u>7,748,790</u>
Capital assets, net	<u><u>\$2,939,718</u></u>	<u><u>\$ 104,743</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$3,044,461</u></u>

Note 6: Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses included in current liabilities at September 30 consisted of:

	2012	2011
Payable to suppliers and contractors	\$ 1,322,625	\$ 801,063
Payable to employees (including payroll taxes and benefits)	618,716	566,939
Other	<u>15,888</u>	<u>29,340</u>
	<u><u>\$ 1,957,229</u></u>	<u><u>\$ 1,397,342</u></u>

Greenwood County Hospital
A Component Unit of Greenwood County, Kansas

Notes to Financial Statements

September 30, 2012 and 2011

Note 7: Medical Malpractice Coverage and Claims

The Hospital purchases medical malpractice insurance which provides \$200,000 of coverage for each medical incident and \$600,000 of aggregate coverage for each policy year on a fixed premium basis. 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 claims made 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 near term.

Note 8: Designated Net Assets

At September 30, 2012 and 2011, \$582,765 and \$531,320, respectively, of unrestricted net assets has been designated by the Hospital's Board of Trustees for capital acquisitions and specific operational purposes. Designated net assets remain under the control of the Board of Trustees, which may at its discretion later use these net assets for other purposes. Certificates of deposit have original maturities of less than one year and are stated at amortized cost.

Note 9: Pension Plan

The Hospital contributes to a mandatory 401(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 the Hospital's Board of Trustees. The plan 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. Contribution rates for plan members and the Hospital expressed as a percentage of covered payroll were 3% as of September 30, 2012. Prior to September 1, 2012, the Hospital contribution rate expressed as a percentage of covered payroll was 6%. Contributions actually made by plan members and the Hospital aggregated \$184,739 and \$362,120 in 2012 and \$232,431 and \$316,765 in 2011, respectively.

The Hospital also offers a 403(b) tax deferred annuity plan and a 457(b) deferred compensation plan which plan members may contribute voluntarily. The Hospital does not incur any expense into these plans, and the Hospital does not make contributions to these plans.

Greenwood County Hospital
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Notes to Financial Statements
September 30, 2012 and 2011

Note 10: Current Economic Conditions

The current protracted economic decline continues to present hospitals with difficult circumstances and challenges, which in some cases have resulted in large and unanticipated declines in assets, large declines in contributions, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Hospital.

Current economic conditions, including the rising unemployment rate, have made it difficult for certain of the Hospital's patients to pay for services rendered. As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on the Hospital's future operating results. Further, the effect of economic conditions on the government may have an adverse effect on cash flows related to the Medicare and Medicaid programs.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in allowances for accounts receivable that could negatively impact the Hospital's ability to maintain sufficient liquidity.

Supplementary Information

Greenwood County Hospital
A Component Unit of Greenwood County, Kansas
Net Patient Service Revenue
Years Ended September 30, 2012 and 2011

	2012		
	Inpatient	Outpatient	Total
Routine Service Revenues			
Hospital	\$ 1,338,931	\$ -	\$ 1,338,931
Swing-bed	640,980	-	640,980
	<u>1,979,911</u>	<u>-</u>	<u>1,979,911</u>
Ancillary Service Revenues			
Operating room	9,206	458,988	468,194
Anesthesia	3,350	100,906	104,256
Radiology	105,796	560,675	666,471
Mammography	-	17,652	17,652
Nuclear medicine	23,270	115,571	138,841
Ultrasound	35,249	247,589	282,838
CAT scans	183,429	1,294,652	1,478,081
Magnetic imaging	34,562	617,482	652,044
Laboratory	1,188,567	4,394,124	5,582,691
Respiratory therapy	488,020	33,662	521,682
Physical therapy	163,379	491,094	654,473
Occupational therapy	56,785	23,435	80,220
Speech therapy	3,728	9,798	13,526
Electrocardiogram	21,055	96,287	117,342
Central supply	151,646	268,229	419,875
Pharmacy	715,542	604,773	1,320,315
Clinic	-	36,017	36,017
Emergency room	55,699	1,415,266	1,470,965
Observation	1,666	322,376	324,042
Rural health clinic	-	2,130,865	2,130,865
Home health agency	-	1,422,124	1,422,124
Durable medical equipment	-	137,071	137,071
Physician private office	-	22,309	22,309
	<u>\$ 5,220,860</u>	<u>\$ 14,820,945</u>	<u>20,041,805</u>
Less contractual allowances and charity care			7,512,483
Less provision for uncollectible accounts			<u>1,257,362</u>
Net patient service revenue			<u>\$ 11,271,960</u>

2011		
Inpatient	Outpatient	Total
\$ 1,631,926	\$ -	\$ 1,631,926
604,360	-	604,360
<u>2,236,286</u>	<u>-</u>	<u>2,236,286</u>
-	276,058	276,058
222	86,667	86,889
100,578	472,331	572,909
73	16,838	16,911
12,700	67,810	80,510
36,124	186,005	222,129
178,023	898,677	1,076,700
31,450	519,643	551,093
1,421,222	4,095,207	5,516,429
538,223	32,910	571,133
172,262	422,386	594,648
38,989	32,353	71,342
7,863	2,764	10,627
17,146	76,720	93,866
149,128	236,583	385,711
768,367	505,847	1,274,214
-	60,330	60,330
51,117	1,271,165	1,322,282
28,110	256,650	284,760
-	1,983,366	1,983,366
-	1,545,161	1,545,161
-	1,452	1,452
<u>-</u>	<u>39,620</u>	<u>39,620</u>
<u>\$ 5,787,883</u>	<u>\$ 13,086,543</u>	18,874,426
		6,685,641
		<u>952,876</u>
		<u>\$ 11,235,909</u>

Greenwood County Hospital
A Component Unit of Greenwood County, Kansas
Contractual Allowances, Charity Care and Other Operating Revenues
Years Ended September 30, 2012 and 2011

Contractual Allowances and Charity Care

	<u>2012</u>	<u>2011</u>
Contractual Allowances		
Medicare	\$ 3,989,951	\$ 3,707,629
Medicaid	1,157,148	954,609
Blue Cross	1,168,430	635,844
Commercial insurance	373,357	171,331
Clinic and other	700,542	1,079,318
Charity Care	<u>123,055</u>	<u>136,910</u>
	<u><u>\$ 7,512,483</u></u>	<u><u>\$ 6,685,641</u></u>

Other Operating Revenues

	<u>2012</u>	<u>2011</u>
Cafeteria sales	\$ 27,606	\$ 45,043
Medical record fee	2,758	2,477
Grant income – operating activities	12,555	8,426
Rent income	22,475	19,750
Other	<u>4,735</u>	<u>2,049</u>
	<u><u>\$ 70,129</u></u>	<u><u>\$ 77,745</u></u>

Greenwood County Hospital
A Component Unit of Greenwood County, Kansas
Operating Expenses
Years Ended September 30, 2012 and 2011

	2012		
	Salaries	Other	Total
Nursing service	\$ 1,069,157	\$ 90,793	\$ 1,159,950
Operating room	105,677	202,819	308,496
Anesthesia	-	57,175	57,175
Radiology	241,755	115,281	357,036
Mammography	-	6,242	6,242
Nuclear medicine	18,965	39,903	58,868
Ultrasound	35,492	49,047	84,539
CAT scans	-	108,710	108,710
Magnetic imaging	-	127,530	127,530
Laboratory	494,405	547,901	1,042,306
Respiratory therapy	149,230	12,959	162,189
Physical therapy	30,259	319,547	349,806
Occupational therapy	-	50,457	50,457
Speech therapy	-	8,100	8,100
Central supply	71,888	202,799	274,687
Pharmacy	57,607	379,946	437,553
Clinic	-	4,133	4,133
Emergency room	347,893	362,510	710,403
Rural health clinic	1,590,626	(23,738)	1,566,888
Home health agency	534,956	222,574	757,530
Physician private office	1,150	7,053	8,203
Social service	-	2,556	2,556
Depreciation	-	691,792	691,792
Employee health and welfare	-	2,162,993	2,162,993
Administrative and general	735,989	645,741	1,381,730
Maintenance	124,465	282,616	407,081
Laundry and linen	67,426	15,649	83,075
Housekeeping	117,050	21,018	138,068
Dietary	159,930	121,924	281,854
Nursing administration	84,038	776	84,814
Durable medical equipment	72,632	103,960	176,592
Medical records	150,800	30,826	181,626
	<u>\$ 6,261,390</u>	<u>\$ 6,971,592</u>	<u>\$ 13,232,982</u>

2011		
Salaries	Other	Total
\$ 1,095,953	\$ 109,232	\$ 1,205,185
97,117	109,454	206,571
-	103,000	103,000
222,059	147,207	369,266
5,038	4,931	9,969
24,492	50,164	74,656
31,261	53,525	84,786
19,613	96,880	116,493
-	137,284	137,284
494,683	572,909	1,067,592
160,645	20,310	180,955
27,564	318,113	345,677
-	70,803	70,803
-	16,159	16,159
69,101	166,184	235,285
51,361	418,437	469,798
-	4,646	4,646
653,448	40,370	693,818
1,240,424	307,864	1,548,288
546,572	190,587	737,159
18,693	8,022	26,715
3,100	3,292	6,392
-	482,252	482,252
-	1,962,694	1,962,694
704,262	584,379	1,288,641
106,078	295,675	401,753
67,012	16,780	83,792
95,730	35,079	130,809
165,280	133,248	298,528
94,387	1,064	95,451
46,781	64,312	111,093
142,571	33,904	176,475
<u>\$ 6,183,225</u>	<u>\$ 6,558,760</u>	<u>\$ 12,741,985</u>