

HANOVER HOSPITAL

a/k/a WASHINGTON COUNTY HOSPITAL DISTRICT NO. 1

FINANCIAL STATEMENTS

and

ADDITIONAL INFORMATION

with

INDEPENDENT AUDITOR'S REPORT

YEARS ENDED DECEMBER 31, 2012 AND 2011

George, Bowerman & Noel, P.A.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Hanover Hospital
a/k/a Washington County Hospital District No. 1
Hanover, Kansas

We have audited the accompanying financial statements of Hanover Hospital a/k/a Washington County Hospital District No. 1 which comprise the statements of net position as of December 31, 2012 and 2011, and the related statements of revenue, expenses and changes in net position and cash flows for the years 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 and Accounting Guide. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 Hanover Hospital a/k/a Washington County Hospital District No. 1 as of December 31, 2012 and 2011, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying financial statements have been prepared assuming that the Hospital District will continue as a going concern. As discussed in Note 12 to the financial statements, the Hospital District continues to suffer recurring losses from operations and reduced working capital levels that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 12. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Additional Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were made for the purpose of forming opinions on the basic financial statements taken as a whole. The additional information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic 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. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic 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 additional information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

George, Bawerman & Noel, P.A.

Wichita, Kansas
June 3, 2013

HANOVER HOSPITAL

a/k/a WASHINGTON COUNTY HOSPITAL DISTRICT NO. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Hanover Hospital's (Hospital District's) financial performance provides an overview of the Hospital District's financial activities for the fiscal years ended December 31, 2012 and 2011. Please read it in conjunction with the Hospital District's financial statements, which begin on page 9.

Financial Highlights

- The Hospital District's net position decreased by \$112,577 or 13.54 percent in 2012 compared to a decrease in 2011 of \$5,023 or 0.60 percent.
- The Hospital District reported operating losses \$340,902 and \$187,754 in 2012 and 2011, respectively.
- Net nonoperating revenues increased by \$45,594 or 24.95 percent in 2012 compared to 2011. Net nonoperating revenues increased in 2011 by \$29,586 or 19.32 percent compared to 2010. The changes in 2012 and 2011 were primarily due to differences in contributions received.

Financial Statements

The Hospital District's financial statements are prepared using proprietary fund accounting that focuses on the determination of changes in net position, financial position and cash flows in a manner similar to private-sector businesses. The financial statements are prepared on an accrual basis of accounting which recognizes revenue when earned and expenses when incurred. The basic financial statements include a *statement of net position*, *statement of revenue, expenses and changes in net position*, and *statement of cash flows*, followed by notes to the financial statements and schedules of certain additional information.

The *statement of net position* presents information on the Hospital District's assets, deferred outflows of resources, deferred inflows of resources and liabilities, with the net difference between them reported as net position. Over time, increases or decreases in net position may indicate whether the financial position of the Hospital District is improving or deteriorating.

The *statement of revenues, expenses and changes in net position* presents both the operating revenues and expenses and nonoperating revenues and expenses along with other changes in net position for the year. This statement is an indication of the success of the Hospital District's operations over the past year.

The *statement of cash flows* presents the change in cash and cash equivalents for the year resulting from operating activities, capital and related financing activities and investing activities. The primary purpose of this statement is to provide information about the Hospital District's cash receipts and cash payments during the year.

Net Position

The following schedule summarizes the Hospital District's net position as of December 31, 2012, 2011 and 2010.

	December 31,		
	2012	2011	2010
Assets:			
Current assets	\$ 715,507	\$ 810,348	\$ 689,484
Capital assets, net	630,793	689,902	694,489
Other noncurrent assets	56,461	36,203	19,449
Total assets	<u>\$ 1,402,761</u>	<u>\$ 1,536,453</u>	<u>\$ 1,403,422</u>
Liabilities:			
Capital lease obligations	\$ 73,944	\$ 54,494	\$ 77,732
Other liabilities	563,276	650,277	488,985
Total liabilities	<u>637,220</u>	<u>704,771</u>	<u>566,717</u>
Deferred inflows of resources:			
Deferred property taxes receivable	46,436	39,604	34,936
Total liabilities and deferred inflows of resources	<u>\$ 683,656</u>	<u>\$ 744,375</u>	<u>\$ 601,653</u>
Net position:			
Invested in capital assets, net	\$ 556,849	\$ 635,408	\$ 616,757
Restricted	—	92	7,075
Unrestricted	162,256	196,182	212,873
Total net position	<u>\$ 719,105</u>	<u>\$ 831,682</u>	<u>\$ 836,705</u>

Recent Financial Performance

The following schedule is a summary of the Hospital District's revenues, expenses and changes in net position for the years ended December 31, 2012, 2011 and 2010.

	December 31,		
	2012	2011	2010
Operating revenue	<u>\$ 3,039,011</u>	<u>\$ 3,072,356</u>	<u>\$ 2,846,571</u>
Operating expenses:			
Salaries	1,800,625	1,756,365	1,570,162
Employee benefits	394,879	348,321	334,877
Supplies and other	1,062,034	1,074,165	1,010,008
Depreciation and amortization	122,375	81,259	89,673
Total operating expenses	<u>3,379,913</u>	<u>3,260,110</u>	<u>3,004,720</u>
Loss from operations	<u>(340,902)</u>	<u>(187,754)</u>	<u>(158,149)</u>
Nonoperating revenues:			
Taxes	43,079	36,514	34,765
Grants and contributions	179,478	138,960	114,646
Other, net	5,768	7,257	3,734
Total nonoperating revenues	<u>228,325</u>	<u>182,731</u>	<u>153,145</u>
Decrease in net position	<u>\$ (112,577)</u>	<u>\$ (5,023)</u>	<u>\$ (5,004)</u>
Net position at end of year	<u>\$ 719,105</u>	<u>\$ 831,682</u>	<u>\$ 836,705</u>

The first component of the overall change in the Hospital District's net position is its operating income (loss)—generally, the difference between net patient service revenue and the expenses incurred to perform those services. In each of the past three years, the Hospital District has reported an operating loss. This is consistent with the Hospital District's entire operating history. The operating loss in 2012 increased by \$153,148 or 81.57 percent higher than the operating loss reported in 2011. The operating loss in 2011 increased by \$29,586 or 18.72 percent higher than the operating loss reported in 2010.

Gross patient service revenue, that is, charges to patients before reduction for contractual adjustments and the provision for bad debts, increased by approximately \$173,000 or 4 percent in 2012 and by approximately \$224,000 or 8 percent in 2011.

The Hospital District recognizes contractual adjustments and the provision for bad debts against gross patient service revenue to arrive at net patient service revenue. Contractual adjustments represent amounts not collected due to government regulations concerning the calculation of healthcare payments for Medicare and Medicaid beneficiaries and for adjustments for various contractual agreements with commercial insurance carriers. The contractual adjustments as a percentage of patient service revenue was approximately 28% in 2012 compared to 23% in 2011.

Operating expenses increased by approximately 4% from 2011 to 2012 primarily as a result of increases in salaries, employees benefits of approximately 4% and approximately 51% increase in depreciation expense.

Nonoperating revenues consist primarily of grants and contributions and property taxes levied by the Hospital District.

Patient Volumes

Pertinent patient volume statistics are summarized in the following table:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Inpatient acute days	366	376	350
Observation bed days	<u>179</u>	<u>181</u>	<u>121</u>
	<u>545</u>	<u>557</u>	<u>471</u>
Percent change	<u>(2.15)%</u>	<u>(18.26)%</u>	<u>(5.42)%</u>
Swing bed-skilled days	<u>852</u>	<u>1,050</u>	<u>1,164</u>
Percent change	<u>(18.86)%</u>	<u>(9.79)%</u>	<u>1.84%</u>
Swing bed-ICF days	<u>6,259</u>	<u>5,636</u>	<u>3,505</u>
Percent change	<u>11.05%</u>	<u>60.80%</u>	<u>(6.73)%</u>

Capital Assets

At the end of 2012, the Hospital District had \$556,849 invested in capital assets, net of accumulated depreciation and debt outstanding for the acquisition of capital assets, as detailed in Notes 7 and 8 to the financial statements. The Hospital District acquired approximately \$63,000 of capital assets during 2012, consisting of the following:

Radiology equipment	\$ 55,733
Treadmill equipment	<u>7,533</u>
	<u>\$ 63,266</u>

Debt

At December 31, 2012, the Hospital District had approximately \$74,000 of outstanding capital lease obligations relating to the acquisition certain laboratory, patient monitoring, and radiology equipment.

Other Economic Factors

The assessed valuation for the Hospital District for 2013 is \$11,724,856 that is an increase of approximately 9.18 percent from the 2012 amount of \$10,739,148. The total ad valorem taxes levied for 2012 was \$40,000 compared to \$33,454 for 2011.

Issues Facing the Hospital District

There are issues facing the Hospital District that could result in material changes in its financial position in the long term. Among these issues are:

- Risks related to Medicare and Medicaid reimbursement. A significant portion of the Hospital District's revenues are derived from the Medicare program, which provides certain healthcare benefits to beneficiaries who are over 65 years of age or disabled, and the Medicaid program, funded jointly by the federal government and the states, which provides medical assistance to certain needy individuals and families. The funding of these programs by the federal and state governments face increasing pressure due to the significant increases in the costs of providing healthcare services in recent years.
- Healthcare reform. In 2010, the federal government enacted sweeping new legislation that will significantly impact virtually all aspects of the healthcare delivery and insurance Hospital Districts in the country. Portions of the legislation will be implemented over the next several years. However, most of the detailed implemented regulations have not yet been issued and accordingly, any specific effects on operations of the Hospital District are currently undeterminable. Management continues to closely monitor the progression of the implementation of the legislation.
- Employment and labor issues. The Hospital District is a major employer within the community, employing a complex mix of professional, technical, clerical, maintenance, dietary, and other workers. Risks include personal tort actions, work-related injuries and exposure to hazardous materials. A relative shortage of nursing and other medical professional/technical employees, is an issue that is causing salary and benefits costs to increase at significant rates.
- Technology and services. Scientific and technological advances, new procedures, drugs and appliances, preventive medicine, and outpatient healthcare delivery may reduce utilization and revenues for the Hospital District in the future. Technological advances continue to accelerate the need to acquire sophisticated and expensive equipment and services for diagnosis and treatment of illnesses and diseases.
- Increasing numbers of uninsured and underinsured patients. Due to the significant increases and high cost of healthcare insurance premiums in recent years, increasing numbers of patients of the Hospital District are finding it more and more difficult to obtain or maintain adequate health insurance coverage. This trend could increase the levels of uncompensated care provided by the Hospital District.

Contacting The Hospital District's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Hospital District's finances and to show the Hospital District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Hospital District Administration Department, at Hanover Hospital, a/k/a Washington County Hospital District No. 1, 205 S. Hanover, Hanover, Kansas 66945.

HANOVER HOSPITAL**a/k/a WASHINGTON COUNTY HOSPITAL DISTRICT NO. 1****STATEMENTS OF NET POSITION****ASSETS**

	December 31,	
	2012	2011
Current assets:		
Cash (Notes 3 and 4)	\$ 128,102	\$ 129,985
Accounts receivable, net of allowance for doubtful accounts of \$285,898 in 2012 and \$259,900 in 2011	384,701	521,057
Uncollected current property taxes receivable (Note 1)	46,436	39,604
Inventories (Note 1)	124,642	105,918
Other	31,626	13,784
Total current assets	715,507	810,348
Board-designated assets (Notes 3 and 4)	56,461	36,203
Property and equipment, at cost (Notes 1 and 7):		
Land	14,229	14,229
Land improvements	33,945	33,945
Building	1,154,509	1,154,509
Fixed equipment	524,897	524,897
Movable equipment	1,093,423	1,030,157
Total property and equipment	2,821,003	2,757,737
Less accumulated depreciation	2,190,210	2,067,835
Net property and equipment	630,793	689,902
Total assets	\$ 1,402,761	\$ 1,536,453

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
Current liabilities:		
Accounts payable	\$ 223,282	\$ 210,172
Salaries and wages payable	122,194	120,578
Payroll taxes payable	44,284	44,008
Estimated third-party payer settlements (Note 2)	49,565	115,175
Current portion of compensated absences payable (Notes 1 and 8)	118,993	115,910
Current portion of capital lease obligations (Note 8)	<u>38,470</u>	<u>25,824</u>
Total current liabilities	<u>596,788</u>	<u>671,271</u>
Long-term liabilities:		
Capital lease obligations (Note 8)	35,474	28,670
Compensated absences payable (Notes 1 and 8)	<u>4,958</u>	<u>4,830</u>
Total long-term liabilities	<u>40,432</u>	<u>33,500</u>
Total liabilities	<u>637,220</u>	<u>704,771</u>
Deferred inflows of resources:		
Deferred property taxes receivable (Note 1)	<u>46,436</u>	<u>39,604</u>
Net position (Notes 1 and 5):		
Invested in capital assets net of related debt	556,849	635,408
Restricted – expendable for specific operating activities	–	92
Unrestricted	<u>162,256</u>	<u>196,182</u>
Total net position	<u>719,105</u>	<u>831,682</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 1,402,761</u></u>	<u><u>\$ 1,536,453</u></u>

The accompanying notes are an integral
part of the financial statements.

HANOVER HOSPITAL**a/k/a WASHINGTON COUNTY HOSPITAL DISTRICT NO. 1****STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

	Year ended December 31,	
	2012	2011
Operating revenues:		
Net patient service revenue (Note 1)	\$ 3,010,386	\$ 3,052,016
Ambulance subsidy	<u>28,625</u>	<u>20,340</u>
Total operating revenues	<u>3,039,011</u>	<u>3,072,356</u>
Operating expenses:		
Salaries	1,800,625	1,756,365
Employee benefits	394,879	348,321
Supplies and other	1,062,034	1,074,165
Depreciation and amortization (Note 1)	<u>122,375</u>	<u>81,259</u>
Total operating expenses	<u>3,379,913</u>	<u>3,260,110</u>
Loss from operations	<u>(340,902)</u>	<u>(187,754)</u>
Nonoperating revenues (expenses):		
Taxes	43,079	36,514
Investment income	596	568
Interest expense	(11,602)	(7,068)
Noncapital contributions and grants	122,005	68,328
Other	<u>16,774</u>	<u>13,757</u>
Total nonoperating revenues (expenses)	<u>170,852</u>	<u>112,099</u>
Excess of expenses over revenues before capital contributions	(170,050)	(75,655)
Capital contributions and grants	<u>57,473</u>	<u>70,632</u>
Decrease in net position	(112,577)	(5,023)
Net position at beginning of year	<u>831,682</u>	<u>836,705</u>
Net position at end of year	<u>\$ 719,105</u>	<u>\$ 831,682</u>

The accompanying notes are an integral part of the financial statements.

HANOVER HOSPITAL**a/k/a WASHINGTON COUNTY HOSPITAL DISTRICT NO. 1****STATEMENTS OF CASH FLOWS**

	Year ended December 31,	
	2012	2011
Cash flows from operating activities:		
Receipts from and on behalf of patients	\$ 3,081,132	\$ 2,943,110
Payments to suppliers and contractors	(1,085,214)	(1,022,571)
Payments to employees	(1,795,798)	(1,721,043)
Payments for employee benefits	(394,879)	(348,321)
Other receipts and payments, net	<u>28,625</u>	<u>20,340</u>
Net cash flows used by operating activities	<u>(166,134)</u>	<u>(128,485)</u>
Cash flows from noncapital financing activities:		
Property taxes for operations	43,079	36,514
Noncapital contributions and grants	122,005	68,328
Other	<u>16,774</u>	<u>13,757</u>
Net cash flows provided by noncapital financing activities	<u>181,858</u>	<u>118,599</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	(7,533)	(76,672)
Capital contributions and grants	57,473	70,632
Interest payments on long-term debt	(11,602)	(7,068)
Principal payments on long-term debt	<u>(36,283)</u>	<u>(23,238)</u>
Net cash flows provided (used) by capital and related financing activities	<u>2,055</u>	<u>(36,346)</u>
Cash flows from investing activities:		
Additions to board-designated assets	(29,883)	(20,411)
Uses of board-designated assets	9,625	3,657
Investment income	<u>596</u>	<u>568</u>
Net cash flows used by investing activities	<u>(19,662)</u>	<u>(16,186)</u>
Net decrease in cash and cash equivalents	(1,883)	(62,418)
Cash and cash equivalents at beginning of year	<u>129,985</u>	<u>192,403</u>
Cash and cash equivalents at end of year	<u>\$ 128,102</u>	<u>\$ 129,985</u>

HANOVER HOSPITAL

a/k/a WASHINGTON COUNTY HOSPITAL DISTRICT NO. 1

STATEMENTS OF CASH FLOWS - continued

	<u>Year ended December 31,</u>	
	<u>2012</u>	<u>2011</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (340,902)	\$ (187,754)
Adjustments to reconcile operating loss to net cash flows used in operating activities:		
Depreciation and amortization	122,375	81,259
Provision for doubtful accounts, net of recoveries	16,677	69,310
Deferred inflows of property taxes receivable	6,832	4,668
Net (increases) decreases in current assets:		
Accounts receivable	119,679	(259,290)
Property taxes receivable	(6,832)	(4,668)
Inventories	(18,724)	4,795
Other current assets	(17,842)	6,571
Net increases (decreases) in current liabilities:		
Accounts payable	13,110	32,516
Compensated absences payable	3,211	16,771
Salaries payable	1,616	18,551
Payroll taxes payable	276	7,712
Estimated third-party payer settlements	<u>(65,610)</u>	<u>81,074</u>
Net cash used by operating activities	<u>\$ (166,134)</u>	<u>\$ (128,485)</u>

The accompanying notes are an integral
part of the financial statements.

HANOVER HOSPITAL

a/k/a WASHINGTON COUNTY HOSPITAL DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

1. Summary of significant accounting policies

This summary of significant accounting policies is presented to assist in understanding the Hospital District's financial statements. The financial statements and notes are representations of the Hospital District's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Organization and business activity

The Washington County Hospital District No. 1 (the Hospital District) is a political subdivision of the state of Kansas and is governed by a Board of Trustees. The Hospital District provides acute inpatient, outpatient, swing bed, and home health services.

Basis of accounting and presentation

The financial statements of the Hospital District have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Operating revenues and expenses include exchange transactions. Property taxes, investment income, interest on capital assets-related debt are included in nonoperating revenues and expenses.

The Hospital District 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, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Hospital District has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 and cash equivalents

For purposes of the statement of cash flows, the Hospital District considers money market and interest bearing checking accounts that have not been designated by the Board of Trustees for replacement of or additions to capital assets (Note 3), to be cash equivalents.

1. Summary of significant accounting policies (continued)

Patient accounts receivable

The Hospital District reports patient accounts receivable (Note 6) for services rendered at net realizable amounts from third-party payers, patients and others. The Hospital District provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information, payer mix trends, and existing economic conditions. As a service to patients, the Hospital District bills third-party payers directly and bills the patient when the patient's liability is determined. Patient accounts receivable are generally due in full when billed. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account. If future actual default rates on accounts receivable differ from those currently anticipated, the Hospital District may have to adjust its allowance for doubtful accounts, which would affect earnings in the period the adjustments are made.

Budgetary principles

The Hospital District is required by state statute to adopt annual budgets using the modified accrual basis of accounting for the operations and maintenance fund on or before August 25 of the preceding year. The Hospital District's Board of Trustees may amend the budget by transferring budgeted amounts from one object or purpose to another within the same fund. Expenditures may not legally exceed the total amount of the adopted budget of individual funds.

Under the modified accrual basis of accounting revenues are recognized when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized when the related fund liability is incurred.

Applicable Kansas statutes require the Hospital District to use encumbrance accounting as a management control technique to assist in controlling expenditures. For budgetary purposes, encumbrances representing purchase orders, contracts and other commitments, are reported as a charge to the current year budget. All unencumbered appropriations lapse at the end of the year. Budgeted revenue and expenditure amounts represent the original budget adopted by the Hospital Board of Trustees.

The following reconciliation is presented to provide a correlation between the different bases of accounting for reporting in accordance with generally accepted accounting principles (GAAP) and for reporting on the budgetary basis for the operations and maintenance fund:

GAAP basis net position at December 31, 2012	\$ 719,105
Adjustments:	
Net property and equipment	(630,793)
Capital lease obligations	<u>73,944</u>
Budgetary basis fund balance at December 31, 2012	<u>\$ 162,256</u>

Property taxes receivable

In accordance with governing statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, for revenue recognition purposes, the taxes levied during the current year are not due and receivable until the ensuing year. At December 31 such taxes are a lien on the property and are recorded as taxes receivable, net of anticipated delinquencies, with a corresponding amount recorded as deferred inflows of resources on the balance sheet of the appropriate funds.

1. Summary of significant accounting policies (continued)

Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out method.

Risk management

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

The Hospital District pays fixed premiums for annual medical malpractice coverage under an occurrence-basis policy. The Hospital District accrues the expenses of its share of malpractice claim costs, if any, of reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate cost of any incident. Based on the Hospital District's own claims experience, no accrual, for medical malpractice costs has been made in the accompanying financial statements.

Capital assets

The Hospital District's capital assets that are \$5,000 or greater, are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. All capital assets other than land are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using the following estimated useful lives:

Land improvements	10 to 15 years
Buildings	10 to 40 years
Fixed equipment	5 to 20 years
Movable equipment	5 to 20 years

The costs of maintenance and repairs are charged to operating expenses as incurred. The costs of significant additions, renewals and betterments to depreciable properties are capitalized and depreciated over the remaining or extended estimated useful lives of the item or the properties. When depreciable property is retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is reflected as non-operating revenue (expense).

Net patient service revenue

The Hospital District has agreements with third-party payers that provide for payments to the Hospital District at amounts different from its established rates. Payment arrangements include prospectively determined rates per episode, reimbursed costs, discounted charges, and per diem payments. 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 under reimbursement agreements with third-party payers, and a provision for uncollectible accounts. 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.

1. Summary of significant accounting policies (continued)

Grants and contributions

From time to time, the Hospital District receives grants and contributions from government agencies, private organizations, and individuals. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses. When the Hospital District has both restricted and unrestricted resources available to finance a particular program, it is the Hospital District's policy to use restricted resources before unrestricted resources.

Net position

Net position of the Hospital District are classified in three components. *Net position invested in capital assets net of related debt* consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted – expendable for specific operating activities* are noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital District. *Unrestricted net position* are remaining net position that do not meet the definition of *invested in capital assets net of related debt* or *restricted*.

Operating revenues and expenses

The Hospital District's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the Hospital District's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Compensated absences payable

The Hospital's policy regarding vacation pay permits all full-time employees to earn vacation time based on the following rates:

<u>Years of service</u>	<u>Hours per month</u>
1 to 7	6.67
8 to 15	10.00
Over 15	13.34

Upon resignation or retirement from service with the Hospital, employees are entitled to payment for all accrued vacation, up to the allowable maximum. The operations and maintenance fund accrues compensated absence benefits as earned.

Deferred inflows of resources/Deferred outflows of resources

Effective, January 1, 2012, the Hospital District implemented the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and GASB Statement No. 65, *Items Previously Reported As Assets and Liabilities*. GASB Statement No. 63 provides guidance for reporting deferred inflows and deferred outflows of resources and GASB Statement No. 65 provides additional guidance on reclassifying, as deferred inflows of resources and deferred outflows of resources, certain items that were previously reported as assets and liabilities.

1. Summary of significant accounting policies (continued)

A deferred inflow of resources is defined as an acquisition of net position applicable to a future reporting period. A deferred outflow of resources is the consumption of net position that is applicable to a future reporting period. The Hospital District identified a certain financial statement item that met the definition of a deferred outflow of resources. This item was reclassified as a deferred outflows, as applicable. There were no items that met the definition of a deferred outflow.

Subsequent events

Subsequent events have been evaluated through June 3, 2013, which is the date the financial statements were available to be issued.

2. Estimated third-party payer settlements

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

- Medicare – Inpatient and outpatient services are paid based on cost reimbursement methodologies. The Hospital District is reimbursed for cost reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by the Hospital District and reviews thereof by the Medicare fiscal intermediary. Home health services are paid on prospectively determined rates per episode. These rates vary according to a patient classification Hospital District that is based on clinical, diagnostic, and other factors. The Hospital District's classification of patients under the Medicare program and appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital District. The Hospital District's Medicare cost reports have been reviewed by the Medicare fiscal intermediary through December 31, 2009.
- Medicaid – The Hospital District is reimbursed under a cost reimbursement methodology for inpatient acute and outpatient services. The Hospital District is reimbursed for cost reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by the Hospital District and reviews thereof by the Medicaid fiscal intermediary. The Hospital District's Medicaid cost reports have been reviewed by the Medicaid fiscal intermediary through December 31, 2009.

Approximately 54% and 53% of net patient service revenue is from participation in the Medicare program for each of the years ended December 31, 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 settlement estimates will change materially in the near term.

The Hospital District has also entered into payment agreements with certain commercial insurance carriers and other third-party payer programs. The basis for payment to the Hospital District under these agreements includes prospectively determined rates per discharge, discounts from established charges and cost reimbursement.

3. Assets whose use is limited

Assets whose use is limited are as follows:

	December 31,	
	2012	2011
Classified in current assets – Cash restricted for specific purposes (Note 5)	\$ –	\$ 92
Classified in board-designated assets:		
Interest bearing checking	56,461	36,203
	<u>\$ 56,461</u>	<u>\$ 36,295</u>

3. Assets whose use is limited (continued)

These board-designated assets are designated by the Board of Trustees to be used for the replacement of capital assets or for the acquisition of additional assets. These assets can be utilized for other purposes at the discretion of the Board of Trustees.

4. Cash and invested cash

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Hospital District's deposits may not be returned or the Hospital District will not be able to recover collateral securities in the possession of an outside party. The Hospital District's policy follows applicable State statutes and requires deposits to be 100% secured by collateral (pledged securities) valued at market, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. State statutes define the allowable pledged securities.

The Hospital District's cash and investments at December 31, 2012 consisted of cash on hand, demand deposit, and savings accounts. At year end, the carrying amount of the Hospital District's deposits was \$184,543 with the bank balances of such accounts being \$188,387 which was entirely secured by federal depository insurance.

The remaining carrying amount of the Hospital District's cash and investments at December 31, 2012 consisted of cash on hand of \$20.

Investment policies

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Hospital District's investing activities are managed under the custody of the Hospital District's Administrator. Investing is performed in accordance with investment policies adopted by the Board of Trustees and in compliance with State statutes.

Applicable state statutes authorize the Hospital District to invest in (1) temporary notes or no-fund warrants issued by the Hospital District (2) time deposit, open accounts or certificates of deposit, with maturities of not more than two years, in commercial banks; (3) time certificates of deposit, with maturities of not more than two years, with state or federally chartered savings and loan associations or federally chartered savings banks, (4) repurchase agreements with commercial banks, state or federally chartered savings and loan associations or federally chartered savings banks; (5) United States treasury bills or notes with maturities as the governing body shall determine, but not exceeding two years; (6) the municipal investment pool maintained by the State Treasurer's office, and (7) trust departments of commercial banks.

5. Restricted net position

Restricted, expendable net position is available for the following purposes:

	December 31,	
	2012	2011
HIPAA compliance grant	\$ —	\$ 92

Net positions of \$92 and \$14,144 were released from restrictions by incurring expenditures satisfying the restricted purposes or by occurrence of other events specified by donors for the years ended December 31, 2012 and 2011, respectively.

6. Concentrations of credit risk

The Hospital District's cash and investments are on deposit with one local financial institution. As discussed in Note 4, the deposits are fully secured at December 31, 2012.

The Hospital District grants credit without collateral to its patients, most of whom are residents of the local area. The mix of gross accounts receivables was as follows:

	December 31,	
	2012	2011
Medicare	29.73%	31.93 %
Medicaid	2.61	7.45
Blue Cross	12.18	15.04
Other commercial	6.96	8.83
Other	<u>48.52</u>	<u>36.75</u>
	<u>100.00 %</u>	<u>100.00 %</u>

7. Capital assets

Capital asset additions, disposals, and balances for the years ended December 31, 2012 and 2011 were as follows:

	Balance At December 31, 2011	Additions	Disposals	Balance At December 31, 2012
Capital assets not being depreciated:				
Land	\$ 14,229	\$ —	\$ —	\$ 14,229
Capital assets being depreciated:				
Land				
improvements	33,945	—	—	33,945
Buildings	1,154,509	—	—	1,154,509
Fixed equipment	524,897	—	—	524,897
Movable equipment	<u>1,030,157</u>	<u>63,266</u>	<u>—</u>	<u>1,093,423</u>
Total capital assets being depreciated	<u>2,743,508</u>	<u>63,266</u>	<u>—</u>	<u>2,806,774</u>
Less accumulated depreciation for:				
Land				
improvements	24,871	1,732	—	26,603
Buildings	920,861	18,647	—	939,508
Fixed equipment	241,830	45,453	—	287,283
Movable equipment	<u>880,273</u>	<u>56,543</u>	<u>—</u>	<u>936,816</u>
Total accumulated depreciation	<u>2,067,835</u>	<u>122,375</u>	<u>—</u>	<u>2,190,210</u>
Total capital assets being depreciated, net	<u>675,673</u>	<u>(59,109)</u>	<u>—</u>	<u>616,564</u>
Total capital assets, net	<u>\$ 689,902</u>	<u>\$ (59,109)</u>	<u>\$ —</u>	<u>\$ 630,793</u>

7. Capital assets (continued)

	Balance At December 31, 2010	Additions	Disposals	Balance At December 31, 2011
Capital assets not being depreciated:				
Land	\$ 14,229	\$ —	\$ —	\$ 14,229
Capital assets being depreciated:				
Land				
improvements	33,945	—	—	33,945
Buildings	1,167,761	—	13,252	1,154,509
Fixed equipment	434,973	89,924	—	524,897
Movable equipment	1,062,600	—	32,443	1,030,157
Total capital assets being depreciated	2,699,279	89,924	45,695	2,743,508
Less accumulated depreciation for:				
Land				
improvements	23,143	1,728	—	24,871
Buildings	902,154	18,707	—	920,861
Fixed equipment	209,132	32,698	—	241,830
Movable equipment	884,590	28,126	32,443	880,273
Total accumulated depreciation	2,019,019	81,259	32,443	2,067,835
Total capital assets being depreciated, net	680,260	8,665	13,252	675,673
Total capital assets, net	\$ 694,489	\$ 8,665	\$ (13,252)	\$ 689,902

8. Long-term debt

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

	Balance At December 31, 2011	Additions	Reductions	Balance At December 31, 2012	Amounts Due Within One Year
Capital lease obligations	\$ 54,494	\$ 55,733	\$ 36,283	\$ 73,944	\$ 38,470
Compensated absences payable	120,740	129,452	126,241	123,951	118,993
Total long-term liabilities	\$ 175,234	\$ 185,185	\$ 162,524	\$ 197,895	\$ 157,463

8. Long-term debt (continued)

	Balance At December 31, 2010	Additions	Reductions	Balance At December 31, 2011	Amounts Due Within One Year
Capital lease obligations	\$ 77,732	\$ –	\$ 23,238	\$ 54,494	\$ 25,824
Compensated absences payable	103,969	140,336	123,565	120,740	115,910
Total long-term liabilities	<u>\$ 181,701</u>	<u>\$ 140,336</u>	<u>\$ 146,803</u>	<u>\$ 175,234</u>	<u>\$ 141,734</u>

The Hospital District leases certain equipment under capital lease agreements. Interest expense related to the lease agreements was \$11,602 and \$7,068 for 2012 and 2011, respectively. The following is an analysis of the financial presentation of the capital leases:

	December 31,	
	2012	2011
Fixed equipment	\$ 101,897	\$ 101,897
Movable equipment	134,184	78,451
	236,081	180,348
Accumulated depreciation	121,582	94,187
	<u>\$ 114,499</u>	<u>\$ 86,161</u>

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of December 31, 2012:

Year ending December 31,	
2013	\$ 43,021
2014	29,001
2015	8,601
Total minimum lease payments	80,623
Less amount representing interest	5,686
Less amount for insurance	993
Present value of net minimum lease payments	73,944
Less current portion	38,470
Long-term portion of capital lease obligations	<u>\$ 35,474</u>

9. Other post employment benefits

As provided by K.S.A. 12-5040, the Hospital District is required to allow qualifying retirees to participate in the group health insurance plan. While each retiree is required to pay the full amount of the applicable premium, conceptually, the Hospital District is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of the subsidy, if any, has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Hospital District makes health care benefits available to eligible former employees and their eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid entirely by the insured and there is no cost to the Hospital District under this plan.

10. Fair value of financial instruments

Generally Accepted Accounting Principles (GAAP) establishes a single authoritative definition of fair value, sets a framework for measuring fair value and requires additional disclosures about fair value measurements. Financial instruments that are measured and reported at fair value are classified and disclosed in one of the following categories based on inputs:

- Level 1 – Quoted market prices are available in active markets for identical instruments as of the reporting date.
- Level 2 – Pricing inputs are observable for the instruments, either directly or indirectly, as of the reporting date, but are other than quoted prices in active markets as in Level 1.
- Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument.

The following methods and assumptions were used by the Hospital District in estimating the fair value of its financial instruments:

Cash and cash equivalents – The carrying amounts reported in the balance sheet for cash and cash equivalents approximates its fair value.

Accounts receivable – The carrying amounts reported in the balance sheet for accounts receivable approximates fair value because of the short-term nature of those instruments.

Estimated third-party payor settlements – The carrying amounts reported in the balance sheet for estimated third-party payor settlements approximates fair value because of the short-term nature of those instruments.

Board designated assets – These assets consist of cash and short-term investments and the carrying amounts reported in the balance sheet approximates their fair value.

Accounts and other payables – The carrying amounts reported in the balance sheet for accounts and other payables approximates its fair value.

Long-term debt – These liabilities consist of capitalized lease obligations. The fair value of these liabilities is estimated using discounted cash flow analyses, based on the interest rate implicit in the lease agreements.

The carrying amounts and fair value of the Hospital District's financial instruments at December 31, 2012 and 2011 are as follows:

	<u>December 31, 2012</u>		<u>December 31, 2011</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 128,102	\$ 128,102	\$ 129,985	\$ 129,985
Accounts receivable	384,701	384,701	521,057	521,057
Estimated third-party payor settlements	49,565	49,565	115,175	115,175
Board designated assets	56,461	56,461	36,203	36,203
Accounts and other payables	513,711	513,711	495,498	495,498
Long-term debt	73,944	73,944	54,494	54,494

11. Compliance with Kansas law

Kansas statutes prohibit the expenditures of individual funds to exceed the adopted budget for such funds. For the year ended December 31, 2012, the operations and maintenance fund expenditures exceeded the adopted budget in the amount of \$84,674.

12. Going concern

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplates continuation of the Hospital District as a going concern. However, the Hospital District has sustained substantial operating losses and declines in the volume of patient service revenues in recent years. In addition, the Hospital District has used substantial amounts of working capital in its operations. At December 31, 2012, current liabilities exceeded the cash and investment funds available by \$412,225.

In view of these matters, realization of a major portion of the assets in the accompanying balance sheet is dependent upon continued operations of the Hospital District, which in turn is dependent upon the Hospital District's ability to meet its financing requirements, and the success of its future operations. Management believes that actions presently being taken to improve the Hospital District's operating and financial environment provide the opportunity for the Hospital District to continue as a going concern. These actions include:

- Delaying acquisition of replacement equipment and leasing equipment rather than purchasing.
- Assessing the feasibility of instituting new ancillary services.
- Other measures to bring the overall Hospital District's costs in line with recent patient service volume levels.
- Implementation of new information technology Hospital Districts to improve efficiencies in clinical services and financial controls.

ADDITIONAL INFORMATION

HANOVER HOSPITAL**a/k/a WASHINGTON COUNTY HOSPITAL DISTRICT NO. 1****OPERATION AND MAINTENANCE FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS**

Year ended December 31, 2012

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
Revenues:				
Net patient service revenue	\$ 2,977,204	\$ 2,977,204	\$ 3,010,386	\$ 33,182
Taxes	43,631	43,631	43,079	(552)
Other	139,073	139,073	225,473	86,400
Total revenues	3,159,108	3,159,908	3,278,938	119,030
Expenditures:				
Salaries	1,761,868	1,761,868	1,800,625	(38,757)
Employee benefits	344,543	344,543	394,879	(50,336)
Supplies and contractual services	1,071,871	1,071,871	1,073,636	(1,765)
Capital outlay	50,000	50,000	43,816	6,184
Total expenditures	3,228,282	3,228,282	3,312,956	(84,674)
Revenue over (under) expenditures	(68,374)	(68,374)	(34,018)	34,356
Fund balance, beginning of year	226,560	226,560	196,274	(30,286)
Fund balance, end of year	<u>\$ 158,186</u>	<u>\$ 158,186</u>	<u>\$ 162,256</u>	<u>\$ 4,070</u>

HANOVER HOSPITAL

a/k/a WASHINGTON COUNTY HOSPITAL DISTRICT NO. 1

SCHEDULE OF PATIENT SERVICE REVENUE

Year ended December 31,						
2012			2011			
	Inpatient	Outpatient	Total	Inpatient	Outpatient	Total
Routine service - Acute	\$ 165,765	\$ —	\$ 165,765	\$ 174,525	\$ —	\$ 174,525
Swing bed - Skilled	223,000	—	223,000	278,000	—	278,000
Swing bed - Intermediare care	938,968	—	938,968	726,753	—	726,753
Observation	4,670	143,400	148,070	3,300	152,450	155,750
Nursery	1,350	—	1,350	11,700	—	11,700
Operating room	19,652	104,340	123,992	28,696	111,767	140,463
Delivery room	—	—	—	2,900	—	2,900
Anesthesiology	6,750	10,650	17,400	13,350	10,800	24,150
Radiology	6,197	131,971	138,168	8,953	140,396	149,349
Laboratory	179,604	164,908	344,512	207,163	199,082	406,245
Physical therapy	77,981	199,910	277,891	124,220	176,069	300,289
Speech therapy	755	—	755	—	485	485
Occupational therapy	2,525	225	2,750	2,100	—	2,100
Electrocardiology	975	4,105	5,080	1,320	10,480	11,800
Medical supplies	409,071	160,707	569,778	413,917	151,522	565,439
Pharmacy	617,101	522,459	1,139,560	575,277	334,993	910,270
Cardiac rehabilitation	—	9,405	9,405	—	16,495	16,495
Emergency room	700	38,850	39,550	1,400	49,535	50,935
Ambulance	—	59,136	59,136	—	97,712	97,712
Home health	—	416	416	—	7,210	7,210
Gross patient service revenue	\$ <u>2,655,064</u>	\$ <u>1,550,482</u>	4,205,546	\$ <u>2,573,574</u>	\$ <u>1,458,996</u>	4,032,570
Contractual adjustments			(1,178,483)			(911,244)
Bad debts, net of recoveries			<u>(16,677)</u>			<u>(69,310)</u>
Net patient service revenue			\$ <u>3,010,386</u>			\$ <u>3,052,016</u>

HANOVER HOSPITAL

a/k/a WASHINGTON COUNTY HOSPITAL DISTRICT NO. 1

SCHEDULE OF OPERATING EXPENSES BY FUNCTIONAL DIVISION

Department	Year ended December 31, 2012				Percent of total operating expenses
	Salaries	Supplies and other	Depreciation	Total	
Routine service:					
Adult and pediatrics	\$ 833,454	\$ 42,031	\$ –	\$ 875,485	25.90 %
Nursery	404	9	–	413	0.01
	<u>833,858</u>	<u>42,040</u>	<u>–</u>	<u>875,898</u>	<u>25.91</u>
Ancillary services:					
Operating room	23,608	8,768	–	32,376	0.96
Delivery room	1,365	–	–	1,365	0.04
Radiology	3,979	43,827	–	47,806	1.41
Laboratory	95,422	173,574	–	268,996	7.96
Physical therapy	323	183,206	–	183,529	5.43
Speech therapy	–	4,460	–	4,460	0.13
Occupational therapy	–	1,629	–	1,629	0.05
Electrocardiology	723	–	–	723	0.02
Medical supplies	18,217	52,611	–	70,828	2.10
Pharmacy	38,277	179,387	–	217,664	6.44
Cardiac rehabilitation	2,760	15	–	2,775	0.08
Emergency room	249,560	68,998	–	318,558	9.43
Ambulance	37,293	11,465	–	48,758	1.44
Home health	268	261	–	529	0.02
	<u>471,795</u>	<u>728,201</u>	<u>–</u>	<u>1,199,996</u>	<u>35.51</u>
General services:					
Nursing administration	108,214	–	–	108,214	3.20
Operation of plant	54,301	96,089	–	150,390	4.45
Laundry	47,003	10,442	–	57,445	1.70
Housekeeping	37,548	11,151	–	48,699	1.44
Dietary	126,127	80,290	–	206,417	6.11
Medical records	12,839	401	–	13,240	0.39
Administration and general	108,940	93,420	–	202,360	5.99
Employee benefits	–	394,879	–	394,879	11.68
Depreciation - building	–	–	65,832	65,832	1.95
Depreciation - equipment	–	–	56,543	56,543	1.67
	<u>494,972</u>	<u>686,672</u>	<u>122,375</u>	<u>1,304,019</u>	<u>38.58</u>
	<u>\$ 1,800,625</u>	<u>\$ 1,456,913</u>	<u>\$ 122,375</u>	<u>\$ 3,379,913</u>	<u>100.00 %</u>

Year ended December 31, 2011					
Department	Salaries	Supplies and other	Depreciation	Total	Percent of total operating expenses
Routine service:					
Adult and pediatrics	\$ 764,934	\$ 49,361	\$ –	\$ 814,295	24.98 %
Nursery	1,031	148	–	1,179	0.04
	<u>765,965</u>	<u>49,509</u>	<u>–</u>	<u>815,474</u>	<u>25.02</u>
Ancillary services:					
Operating room	29,346	13,629	–	42,975	1.32
Delivery room	5,145	–	–	5,145	0.16
Radiology	3,075	40,498	–	43,573	1.34
Laboratory	104,484	156,318	–	260,802	8.00
Physical therapy	–	196,064	–	196,064	6.01
Speech therapy	–	284	–	284	0.01
Occupational therapy	–	1,088	–	1,088	0.03
Electrocardiology	1,322	–	–	1,322	0.04
Medical supplies	17,953	68,088	–	86,041	2.64
Pharmacy	38,775	157,965	–	196,740	6.03
Cardiac rehabilitation	1,042	–	–	1,042	0.03
Emergency room	236,220	82,857	–	319,077	9.79
Ambulance	41,195	12,834	–	54,029	1.66
Home health	3,846	3,355	–	7,201	0.22
	<u>482,403</u>	<u>732,980</u>	<u>–</u>	<u>1,215,383</u>	<u>37.28</u>
General services:					
Nursing administration	104,457	–	–	104,457	3.20
Operation of plant	58,832	95,164	–	153,996	4.72
Laundry	47,519	4,239	–	51,758	1.59
Housekeeping	49,426	9,760	–	59,186	1.82
Dietary	126,314	87,263	–	213,577	6.55
Medical records	12,513	537	–	13,050	0.40
Administration and general	108,936	94,713	–	203,649	6.25
Employee benefits	–	348,321	–	348,321	10.68
Depreciation - building	–	–	53,133	53,133	1.63
Depreciation - equipment	–	–	28,126	28,126	0.86
	<u>507,997</u>	<u>639,997</u>	<u>81,259</u>	<u>1,229,253</u>	<u>37.70</u>
	<u>\$ 1,756,365</u>	<u>\$ 1,422,486</u>	<u>\$ 81,259</u>	<u>\$ 3,260,110</u>	<u>100.00 %</u>