

Morton County Health System
A Component Unit of Morton County, Kansas

Independent Accountants' Report and Financial Statements

December 31, 2010 and 2009



Morton County Health System
A Component Unit of Morton County, Kansas
December 31, 2010 and 2009

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Independent Accountants' Report

Board of Trustees
Morton County Health System
Elkhart, Kansas

We have audited the accompanying balance sheets of Morton County Health System, a component unit of Morton County, Kansas, as of December 31, 2010 and 2009, 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 System'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 Morton County Health System as of December 31, 2010 and 2009, and the 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 System has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audits were conducted for the purpose of forming an opinion on the System's basic financial statements. The accompanying supplementary 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 has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BKD, LLP

May 10, 2011

Morton County Health System
A Component Unit of Morton County, Kansas
Balance Sheets
December 31, 2010 and 2009

	2010	2009
Assets		
Current Assets		
Cash and cash equivalents	\$ 914,542	\$ 712,809
Short-term certificates of deposit	689,277	1,325,180
Patient accounts receivable, net of allowance; 2010 - \$1,891,000, 2009 - \$1,970,000	1,978,419	1,912,495
Estimated amounts due from third-party payers	75,000	100,000
Supplies	623,930	696,490
Prepaid expenses and other	111,804	74,154
Total current assets	4,392,972	4,821,128
Capital Assets, Net		
	12,237,442	12,569,470
Total assets	\$ 16,630,414	\$ 17,390,598
 Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 702,428	\$ 502,630
Accrued expenses	1,229,005	1,196,506
Deferred revenue	22,475	22,475
Total current liabilities	1,953,908	1,721,611
Net Assets		
Invested in capital assets	12,103,093	12,569,470
Unrestricted	2,573,413	3,099,517
Total net assets	14,676,506	15,668,987
Total liabilities and net assets	\$ 16,630,414	\$ 17,390,598

Morton County Health System
A Component Unit of Morton County, Kansas
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended December 31, 2010 and 2009

	2010	2009
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2010 - \$605,019, 2009 - \$727,642	\$ 14,773,871	\$ 15,358,097
Other	34,414	49,485
	14,808,285	15,407,582
Expenses		
Salaries and wages	9,710,021	10,226,002
Employee benefits	2,094,986	2,177,239
Contract services	953,646	1,056,405
Outside laboratory fees	70,119	86,746
Drugs	481,378	416,806
Medical and surgical supplies	678,094	792,569
Food	244,083	233,498
Utilities	421,758	299,379
Telephone	57,350	56,248
Legal and accounting	60,549	50,860
Dues	65,384	50,874
Insurance	175,048	158,296
Leases and rentals	271,950	250,564
Other supplies and expenses	714,389	792,964
Depreciation	901,635	858,182
	16,900,390	17,506,632
Operating Loss	(2,092,105)	(2,099,050)
Nonoperating Revenues		
County tax proceeds – intergovernmental revenue	1,029,372	1,071,816
Interest income	20,853	28,241
Noncapital gifts	17,504	(4,201)
Rental income	31,895	31,080
	1,099,624	1,126,936
Decrease in Net Assets	(992,481)	(972,114)
Net Assets, Beginning of Year	15,668,987	16,641,101
Net Assets, End of Year	\$ 14,676,506	\$ 15,668,987

Morton County Health System
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Statements of Cash Flows
Years Ended December 31, 2010 and 2009

	2010	2009
Operating Activities		
Receipts from and on behalf of patients	\$ 14,732,947	\$ 15,587,320
Payments to suppliers and contractors	(4,093,389)	(4,229,207)
Payments to or on behalf of employees	(11,772,508)	(12,266,136)
Other receipts, net	58,723	52,104
Net cash used in operating activities	(1,074,227)	(855,919)
Noncapital Financing Activities		
Intergovernmental revenue	1,029,372	1,071,816
Noncapital gifts	17,504	(4,201)
Net cash provided by noncapital financing activities	1,046,876	1,067,615
Capital and Related Financing Activities		
Purchases of capital assets	(459,567)	(765,779)
Net cash used in capital and related financing activities	(459,567)	(765,779)
Investing Activities		
Interest income	20,853	28,241
Rental income	31,895	31,080
Proceeds from maturities of certificates of deposit	635,903	-
Purchases of certificates of deposit	-	(725,180)
Net cash provided by (used in) investing activities	688,651	(665,859)
Increase (Decrease) in Cash and Cash Equivalents	201,733	(1,219,942)
Cash and Cash Equivalents, Beginning of Year	712,809	1,932,751
Cash and Cash Equivalents, End of Year	\$ 914,542	\$ 712,809

Morton County Health System
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Statements of Cash Flows (Continued)
Years Ended December 31, 2010 and 2009

	2010	2009
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities		
Operating loss	\$ (2,092,105)	\$ (2,099,050)
Depreciation	901,635	858,182
Loss on sale/disposal of assets	24,309	2,619
Changes in		
Patient accounts receivable, net	(65,924)	278,748
Estimated amounts due from third-party payers	25,000	(72,000)
Supplies and prepaid expenses	34,910	(8,516)
Accounts payable and accrued expenses	97,948	184,098
Net cash used in operating activities	<u>\$ (1,074,227)</u>	<u>\$ (855,919)</u>
 Supplemental Cash Flows Information		
Accounts payable incurred for capital equipment and improvements	\$ 134,349	\$ -

Morton County Health System
A Component Unit of Morton County, Kansas
Notes to Financial Statements
December 31, 2010 and 2009

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

Nature of Operations and Reporting Entity

Morton County Health System (the System) is an acute care hospital located in Elkhart, Kansas. The System is a component unit of Morton County (County) and the Board of County Commissioners appoints members to the Board of Trustees of the System. The System primarily earns revenues by providing inpatient, outpatient, long-term health care services and an assisted living center for the benefit of the community.

Basis of Accounting and Presentation

The financial statements of the System 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 and investment income, are included in nonoperating revenues and expenses. The System 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 System prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Government Accounting Standards Board (GASB). Pursuant to GASB Statement No. 20, the System 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.

Morton County Health System
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December 31, 2010 and 2009

Cash Equivalents

The System considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2010 and 2009, cash equivalents consisted primarily of money market accounts.

Intergovernmental Revenue

The System received approximately 7% in both 2010 and 2009, of its financial support from the proceeds of property taxes levied by the County and shared with the System for System purposes. One hundred percent of these funds were used to support operations in both years.

Taxes are assessed by the County in November and are received beginning in January of each year. Intergovernmental revenue is recognized in full in the year in which use is first permitted.

Risk Management

The System 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; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than workers' compensation. Settled claims have not exceeded this commercial coverage in any of the three preceding years. Workers' compensation coverage is provided through a fund managed by the Kansas Workers Risk Cooperative. The workers' compensation premiums are subject to retrospective adjustment based upon the overall performance of the fund.

Patient Accounts Receivable

The System reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The System 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.

Morton County Health System
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Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the System:

Building and land improvements	10 – 50 years
Fixed equipment	5 – 15 years
Major moveable equipment	3 – 20 years
Long-term care unit building and land improvements	10 – 50 years
Long-term care unit fixed equipment	5 – 15 years
Long-term care unit major moveable equipment	3 – 20 years

Compensated Absences

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

Net Assets

Net assets of the System are classified in two components. Net assets invested in capital assets consist of capital assets net of accumulated depreciation. Unrestricted net assets are remaining assets less remaining liabilities that do not meet the definition of invested in capital assets.

Net Patient Service Revenue

The System has agreements with third-party payers that provide for payments to the System 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.

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Charity Care

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

Income Taxes

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

Reclassifications

Certain reclassifications have been made to the 2009 financial statements to conform to the 2010 presentation. The reclassifications had no effect on the changes in financial position.

Subsequent Events

Subsequent events have been evaluated through May 10, 2011, which is the date the financial statements were available to be issued.

Note 2: Net Patient Service Revenue

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

Medicare. Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge or per billable service unit. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient gero-psychiatric and skilled nursing services (skilled swing-bed) are paid at prospectively determined per diem rates that are based on the patients' acuity. The System is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicare administrative contractor.

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Medicaid. Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a prospective reimbursement methodology. Medicaid reimbursement for long-term care facility residents is based on a cost-based prospective reimbursement methodology. The System is reimbursed at a prospective rate with annual costs reports submitted to the Medicaid program. Rates are computed each calendar quarter using an average of the 2005, 2006 and 2007 cost reports and changes in the Medicaid resident case mix index. The Medicaid cost reports are subject to audit by the State and adjustments to rates can be made retroactively.

Approximately 60% and 62% of net patient service revenues are from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2010 and 2009, respectively. Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible recorded estimates will change materially in the near term.

The System also entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to the System under the agreements includes prospectively determined rates per discharge and discounts from established charges.

Note 3: Deposits

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

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

At December 31, 2010 and 2009, \$739,762 and \$1,674,153 of the System's bank balances of \$1,648,293 and \$2,284,168, respectively, were exposed to custodial credit risk as follows:

	2010	2009
Uninsured and collateral held by pledging financial institution's trust department or agent in other than the System's name	\$ 739,762	\$ 1,674,153

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Summary of Carrying Values

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

	<u>2010</u>	<u>2009</u>
Carrying value		
Deposits	\$ 1,603,119	\$ 2,037,289
Petty cash	700	700
	<u>\$ 1,603,819</u>	<u>\$ 2,037,989</u>
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 914,542	\$ 712,809
Short-term certificates of deposit	689,277	1,325,180
	<u>\$ 1,603,819</u>	<u>\$ 2,037,989</u>

Note 4: Patient Accounts Receivable

The System 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 December 31, 2010 and 2009, consisted of:

	<u>2010</u>	<u>2009</u>
Medicare	\$ 1,020,490	\$ 972,844
Medicaid	217,048	178,079
Blue Cross	327,338	257,004
Other third-party payers	193,986	316,708
Patients	2,110,557	2,157,860
	<u>3,869,419</u>	<u>3,882,495</u>
Less allowance for uncollectible accounts	1,891,000	1,970,000
	<u>\$ 1,978,419</u>	<u>\$ 1,912,495</u>

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Notes to Financial Statements
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Note 5: Capital Assets

Capital assets activity for the years ended December 31, 2010 and 2009, was:

	2010				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Building and land improvements	\$ 6,700,213	\$ 47,996	\$ -	\$ 170,310	\$ 6,918,519
Fixed equipment	2,658,552	-	-	-	2,658,552
Major moveable equipment	7,057,096	509,643	(56,074)	5,235	7,515,900
Care center and assisted living building and land improvements	9,935,162	-	-	-	9,935,162
Care center and assisted living fixed equipment	1,244,220	-	-	-	1,244,220
Care center and assisted living major moveable equipment	1,019,499	-	(13,866)	31,042	1,036,675
Construction in progress	175,484	36,277	-	(206,587)	5,174
	<u>28,790,226</u>	<u>593,916</u>	<u>(69,940)</u>	<u>-</u>	<u>29,314,202</u>
Less accumulated depreciation					
Building and land improvements	3,973,972	164,339	-	-	4,138,311
Fixed equipment	2,169,275	70,282	-	-	2,239,557
Major moveable equipment	5,875,210	347,431	(32,286)	-	6,190,355
Care center and assisted living building and land improvements	2,441,539	231,043	-	-	2,672,582
Care center and assisted living fixed equipment	1,052,046	31,043	-	-	1,083,089
Care center and assisted living major moveable equipment	708,714	57,497	(13,345)	-	752,866
	<u>16,220,756</u>	<u>901,635</u>	<u>(45,631)</u>	<u>-</u>	<u>17,076,760</u>
Capital Assets, Net	<u>\$ 12,569,470</u>	<u>\$ (307,719)</u>	<u>\$ (24,309)</u>	<u>\$ -</u>	<u>\$ 12,237,442</u>

Morton County Health System
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	2009				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Building and land improvements	\$ 6,481,985	\$ 19,778	\$ -	\$ 198,450	\$ 6,700,213
Fixed equipment	2,620,642	36,755	-	1,155	2,658,552
Major moveable equipment	6,770,021	343,975	(56,900)	-	7,057,096
Care center and assisted living building and land improvements	9,935,162	-	-	-	9,935,162
Care center and assisted living fixed equipment	1,208,270	14,797	-	21,153	1,244,220
Care center and assisted living major moveable equipment	1,003,735	20,995	(5,231)	-	1,019,499
Construction in progress	66,763	329,479	-	(220,758)	175,484
	<u>28,086,578</u>	<u>765,779</u>	<u>(62,131)</u>	<u>-</u>	<u>28,790,226</u>
Less accumulated depreciation					
Building and land improvements	3,815,175	158,797	-	-	3,973,972
Fixed equipment	2,091,268	78,007	-	-	2,169,275
Major moveable equipment	5,641,416	289,738	(55,944)	-	5,875,210
Care center and assisted living building and land improvements	2,210,495	231,044	-	-	2,441,539
Care center and assisted living fixed equipment	1,016,301	35,745	-	-	1,052,046
Care center and assisted living major moveable equipment	647,431	64,851	(3,568)	-	708,714
	<u>15,422,086</u>	<u>858,182</u>	<u>(59,512)</u>	<u>-</u>	<u>16,220,756</u>
Capital Assets, Net	<u>\$ 12,664,492</u>	<u>\$ (92,403)</u>	<u>\$ (2,619)</u>	<u>\$ -</u>	<u>\$ 12,569,470</u>

Note 6: Medical Malpractice Claims

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

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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 System's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Note 7: Designated Net Assets

At December 31, 2010 and 2009, \$28,506 and \$391,920, respectively, of unrestricted net assets has been designated by the System's Board of Trustees for capital acquisitions. 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.

Note 8: Operating Leases

Noncancellable operating leases for equipment expire in various years through 2014. These leases generally contain renewal and/or buyout options which require the System to pay some executory costs including property taxes and insurance. The lease agreement contains an option to upgrade the equipment within the first 24 months of the lease term. Rental payments include minimum rentals.

Future minimum lease payments at December 31, 2010, were:

2011	\$ 219,700
2012	214,800
2013	214,800
2014	<u>53,700</u>
Future minimum lease payments	<u><u>\$ 703,000</u></u>

Rental expense incurred on operating leases for 2010 and 2009 was \$271,950 and \$250,564, respectively.

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Note 9: Pension Plan

The System contributes to a defined contribution pension plan and deferred compensation plan covering substantially all employees. Pension expense is recorded for the amount of the System's required contributions, determined in accordance with the terms of the plans. The plans are administered by Trustees appointed by the Morton County Board of Trustees. The plans provide retirement benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan documents and were established and can be amended by action of the System's governing body. Contribution rates for plan members and the System expressed as a percentage of covered payroll were 5.1% and 3.0% for 2010 and 4.6% and 2.9% for 2009, respectively. Contributions actually made by plan members and the System aggregated \$493,960 and \$284,401 during 2010 and \$470,313 and \$295,576 during 2009, respectively.

Note 10: Contingency

In the normal course of business, the System is, from time to time, subject to allegations that may or do result in litigation. The System evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Note 11: Significant Estimates and Concentrations

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 the fair value of investments and other 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 System.

Current economic conditions, including the rising unemployment rate, have made it difficult for certain 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 System'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.

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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 System's ability to maintain sufficient liquidity.

Note 12: Subsequent Events

Medicaid Provider Assessment

On February 2, 2011, the Centers for Medicare and Medicaid Services (CMS) approved a Medicaid State Plan amendment which provides for additional funds to be paid to operators of long-term care facilities. The Kansas Department on Aging has estimated the additional net receipts for the Hospital to be approximately \$83,000. These receipts began in March 2011.

Supplementary Information

Morton County Health System
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Schedules of Net Patient Service Revenue
Years Ended December 31, 2010 and 2009

	2010		
	Inpatient	Outpatient	Total
Hospital			
Nursing, dietary and room service	\$ 1,389,122	\$ 418,068	\$ 1,807,190
Intensive care	116,571	-	116,571
Swing-beds	213,357	-	213,357
Gero-psychiatric unit	1,482,000	-	1,482,000
Operating room	73,667	387,451	461,118
Anesthesiology	74,945	217,814	292,759
Nuclear medicine	5,638	52,773	58,411
CT scans	231,864	364,154	596,018
Radiology sonogram	61,030	99,801	160,831
MRI	12,000	211,500	223,500
Radiology	100,728	351,969	452,697
Laboratory	1,090,827	1,397,270	2,488,097
Respiratory therapy	531,175	92,527	623,702
Physical therapy	66,593	268,275	334,868
Occupational therapy	23,042	21,495	44,537
Electrocardiology	43,357	71,763	115,120
Central service	275,787	170,870	446,657
Pharmacy	2,408,048	544,673	2,952,721
Emergency	49,960	200,446	250,406
Radiology physician	104,302	251,816	356,118
Emergency room physician	-	268,777	268,777
Clinic	-	1,733,926	1,733,926
Lifeline	-	3,510	3,510
	<u>8,354,013</u>	<u>7,128,878</u>	<u>15,482,891</u>
Long-term Care Unit			
Nursing, dietary and room service	3,495,286	-	3,495,286
Central service and supply	110,077	-	110,077
	<u>3,605,363</u>	<u>-</u>	<u>3,605,363</u>
	<u>550,995</u>	<u>-</u>	<u>550,995</u>
Assisted Living Center			
Gross patient service revenue	<u>\$ 12,510,371</u>	<u>\$ 7,128,878</u>	19,639,249
Contractual allowances and charity care			<u>4,865,378</u>
Net patient service revenue			<u>\$ 14,773,871</u>

2009

Inpatient	Outpatient	Total
\$ 1,652,792	\$ 317,036	\$ 1,969,828
166,971	-	166,971
182,659	-	182,659
1,480,800	-	1,480,800
64,944	404,515	469,459
70,210	228,947	299,157
2,421	112,203	114,624
293,078	438,991	732,069
60,674	106,385	167,059
7,500	243,000	250,500
110,045	366,249	476,294
1,211,548	1,464,850	2,676,398
542,295	74,385	616,680
51,835	231,488	283,323
-	-	-
46,960	78,841	125,801
324,936	199,020	523,956
2,551,791	508,417	3,060,208
60,179	213,563	273,742
117,027	281,575	398,602
-	261,540	261,540
-	1,903,691	1,903,691
-	4,320	4,320
8,998,665	7,439,016	16,437,681
3,250,315	-	3,250,315
95,368	-	95,368
3,345,683	-	3,345,683
546,836	-	546,836
\$ 12,891,184	\$ 7,439,016	20,330,200
		4,972,103
		\$ 15,358,097

Morton County Health System
A Component Unit of Morton County, Kansas
Schedules of Contractual Allowances, Charity Care and Other Operating Revenues
Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Contractual Allowances and Charity Care		
Charity Care	\$ 18,216	\$ -
Contractual Allowances		
Medicare		
Hospital	2,798,814	2,883,290
Medicaid		
Hospital	461,951	291,535
Long-term care unit	150,998	73,503
Blue Cross	468,809	487,459
Commercial insurers	228,531	384,794
Administrative adjustments	133,040	123,880
Provision for uncollectible accounts	605,019	727,642
	<u>\$ 4,865,378</u>	<u>\$ 4,972,103</u>
Other Operating Revenues		
Loss on disposal of capital assets	\$ (24,309)	\$ (2,619)
Cafeteria sales	47,044	44,288
Chart fees	4,661	2,305
Other	7,018	5,511
	<u>\$ 34,414</u>	<u>\$ 49,485</u>

Morton County Health System
A Component Unit of Morton County, Kansas
Schedules of Expenses – Hospital
Years Ended December 31, 2010 and 2009

	2010		
	Salaries	Other	Total
Nursing service	\$ 969,146	\$ 53,506	\$ 1,022,652
Intensive care	38,159	4,241	42,400
Gero-psychiatric unit	746,772	74,471	821,243
Operating room	209,763	106,174	315,937
Anesthesiology	206,254	8,471	214,725
Nuclear medicine	10,378	47,663	58,041
CT scans	15,834	312,774	328,608
MRI	-	67,349	67,349
Radiology	231,186	220,119	451,305
Laboratory	320,490	355,036	675,526
Respiratory therapy	173,108	66,068	239,176
Physical therapy	147,791	37,569	185,360
Occupational therapy	58,959	2,031	60,990
Electrocardiology	39,835	20,750	60,585
Cardiac rehabilitation	38,664	808	39,472
Central service	-	117,374	117,374
Pharmacy	43,923	614,746	658,669
Emergency room	411,956	78,899	490,855
Clinic	1,852,201	286,754	2,138,955
Lifeline	315	2,039	2,354
Depreciation	-	582,052	582,052
Employee benefits	26,037	1,536,087	1,562,124
Administration and general	507,872	560,283	1,068,155
Plant operations	252,762	287,218	539,980
Laundry and linen	42,219	14,045	56,264
Housekeeping	62,654	11,462	74,116
Dietary	156,620	91,646	248,266
Nursing administration	244,947	23,501	268,448
Medical records	167,977	23,016	190,993
Social service	6,737	46	6,783
Activities	22,863	4,750	27,613
	<u>7,005,422</u>	<u>5,610,948</u>	<u>12,616,370</u>
Long-term care unit	2,331,821	1,250,046	3,581,867
Assisted living center	<u>372,778</u>	<u>329,375</u>	<u>702,153</u>
	<u>\$ 9,710,021</u>	<u>\$ 7,190,369</u>	<u>\$ 16,900,390</u>

2009		
Salaries	Other	Total
\$ 1,025,379	\$ 165,961	\$ 1,191,340
39,775	2,812	42,587
785,347	88,209	873,556
236,741	94,328	331,069
209,149	49,809	258,958
22,392	57,143	79,535
16,928	311,632	328,560
-	83,148	83,148
236,057	217,884	453,941
343,972	425,264	769,236
194,957	54,118	249,075
172,142	19,669	191,811
-	6	6
39,011	21,181	60,192
39,956	2,121	42,077
-	149,640	149,640
45,555	565,035	610,590
424,132	67,562	491,694
2,028,720	285,170	2,313,890
515	2,570	3,085
-	526,543	526,543
23,256	1,553,765	1,577,021
541,558	528,956	1,070,514
263,444	216,553	479,997
45,895	10,352	56,247
70,333	13,301	83,634
162,699	109,200	271,899
232,002	15,206	247,208
179,913	22,774	202,687
7,577	54	7,631
22,797	5,125	27,922
<u>7,410,202</u>	<u>5,665,091</u>	<u>13,075,293</u>
2,429,673	1,280,226	3,709,899
<u>386,127</u>	<u>335,313</u>	<u>721,440</u>
<u>\$ 10,226,002</u>	<u>\$ 7,280,630</u>	<u>\$ 17,506,632</u>

Morton County Health System
A Component Unit of Morton County, Kansas
Schedules of Expenses – Long-term Care Unit
Years Ended December 31, 2010 and 2009

	2010		
	Salaries	Other	Total
Nursing service	\$ 1,351,357	\$ 44,406	\$ 1,395,763
Central service and supplies	-	41,999	41,999
Pharmacy	-	705	705
Activities	80,933	8,996	89,929
Depreciation	-	188,224	188,224
Employee benefits	-	509,986	509,986
Administration and general	197,158	57,161	254,319
Plant operation and maintenance	91,158	174,233	265,391
Laundry and linen	60,554	15,332	75,886
Housekeeping	72,527	11,209	83,736
Dietary	225,073	195,970	421,043
Nursing administration	172,911	1,013	173,924
Medical records	43,088	742	43,830
Social service	37,062	70	37,132
	<u>\$ 2,331,821</u>	<u>\$ 1,250,046</u>	<u>\$ 3,581,867</u>

2009		
Salaries	Other	Total
\$ 1,446,085	\$ 71,618	\$ 1,517,703
-	31,383	31,383
-	476	476
86,990	9,607	96,597
-	200,475	200,475
-	568,659	568,659
211,643	54,373	266,016
52,414	129,447	181,861
64,499	11,102	75,601
75,640	13,792	89,432
231,532	186,092	417,624
175,778	1,736	177,514
47,999	1,316	49,315
37,093	150	37,243
\$ 2,429,673	\$ 1,280,226	\$ 3,709,899