

**Sheridan County Health Complex**  
**A Component Unit of Sheridan County, Kansas**

Accountants' Report and Financial Statements

December 31, 2011 and 2010



**Sheridan County Health Complex**  
**A Component Unit of Sheridan County, Kansas**  
**December 31, 2011 and 2010**

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## Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Trustees  
Sheridan County Health Complex  
Hoxie, Kansas

We have audited the accompanying balance sheets of Sheridan County Health Complex as of December 31, 2011 and 2010, and the related statements of revenue, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sheridan County Health Complex as of December 31, 2011 and 2010, 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 Hospital 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 part of, the basic financial statements.

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

*BKD, LLP*

March 16, 2012

**Sheridan County Health Complex**  
**A Component Unit of Sheridan County, Kansas**  
**Balance Sheets**  
**December 31, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 814,299	\$ 515,519
Short-term certificates of deposit	203,971	201,445
Restricted cash - current	160,953	153,303
Patient accounts receivable, net of allowance; 2011 - \$245,000; 2010 - \$296,000	479,378	416,663
Sales tax receivable	57,500	53,000
Estimated amounts due from third-party payers	51,878	52,684
Supplies	95,573	91,701
Prepaid expenses and other	42,433	15,716
Total current assets	1,905,985	1,500,031
<b>Capital Assets, Net</b>	905,075	776,998
Total assets	\$ 2,811,060	\$ 2,277,029
 <b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ -	\$ 51,196
Accounts payable	174,329	132,128
Accrued expenses	268,683	238,555
Deferred grant revenue	23,294	36,361
Total current liabilities	466,306	458,240
 <b>Net Assets</b>		
Invested in capital assets, net of related debt	905,075	725,802
Restricted - expendable for capital acquisitions	160,953	153,193
Unrestricted	1,278,726	939,794
Total net assets	2,344,754	1,818,789
Total liabilities and net assets	\$ 2,811,060	\$ 2,277,029

**Sheridan County Health Complex**  
**A Component Unit of Sheridan County, Kansas**  
**Statements of Revenues, Expenses and Changes in Net Assets**  
**Years Ended December 31, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
<b>Operating Revenues</b>		
Net patient service revenue, net of provision for uncollectible accounts; 2011 - \$(24,907), 2010 - \$141,078	\$ 5,737,764	\$ 5,227,710
Other	63,367	70,040
Total operating revenues	5,801,131	5,297,750
<b>Operating Expenses</b>		
Salaries and wages	3,346,226	3,142,025
Employee benefits	574,573	559,486
Purchased services and professional fees	833,919	566,511
Supplies and other	1,427,589	1,441,099
Depreciation and amortization	189,849	214,544
Loss on sale of capital assets	9,729	-
Total operating expenses	6,381,885	5,923,665
<b>Operating Loss</b>	(580,754)	(625,915)
<b>Nonoperating Revenues (Expenses)</b>		
Intergovernmental revenue	416,787	384,205
Sales tax revenue	353,366	336,911
Interest income	9,360	9,142
Interest expense	(1,171)	-
Noncapital grants and gifts	131,624	63,780
Total nonoperating revenues	909,966	794,038
<b>Excess of Revenues Over Expenses Before Capital Grants and Gifts</b>	329,212	168,123
<b>Capital Grants and Gifts</b>	196,753	153,193
<b>Net Assets, Beginning of Year</b>	1,818,789	1,497,473
<b>Net Assets, End of Year</b>	\$ 2,344,754	\$ 1,818,789

**Sheridan County Health Complex**  
**A Component Unit of Sheridan County, Kansas**  
**Statements of Cash Flows**  
**Years Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>Operating Activities</b>		
Receipts from and on behalf of patients	\$ 5,675,855	\$ 5,230,044
Payments to suppliers and contractors	(2,259,625)	(2,013,490)
Payments to employees	(3,890,671)	(3,693,053)
Other receipts, net	<u>73,096</u>	<u>70,040</u>
Net cash used in operating activities	<u>(401,345)</u>	<u>(406,459)</u>
<b>Noncapital Financing Activities</b>		
Intergovernmental revenue supporting operations	416,787	384,205
Sales taxes supporting operations	348,866	358,911
Noncapital grants and gifts	<u>118,557</u>	<u>78,681</u>
Net cash provided by financing activities	<u>884,210</u>	<u>821,797</u>
<b>Capital and Related Financing Activities</b>		
Capital grants and gifts	196,753	153,193
Principal paid on long-term debt	(51,196)	(73,100)
Interest paid on long-term debt	(1,171)	-
Purchase of capital assets	<u>(327,655)</u>	<u>(33,235)</u>
Net cash provided by (used in) capital and related financing activities	<u>(183,269)</u>	<u>46,858</u>
<b>Investing Activities</b>		
Interest income received	9,360	9,142
Purchases of short-term certificates of deposit	(203,971)	(503,179)
Maturities of short-term certificates of deposit	<u>201,445</u>	<u>301,734</u>
Net cash provided by (used in) investing activities	<u>6,834</u>	<u>(192,303)</u>
<b>Increase in Cash</b>	306,430	269,893
<b>Cash, Beginning of Year</b>	<u>668,822</u>	<u>398,929</u>
<b>Cash, End of Year</b>	<u><u>\$ 975,252</u></u>	<u><u>\$ 668,822</u></u>

**Sheridan County Health Complex**  
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**Statements of Cash Flows (Continued)**  
**Years Ended December 31, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
<b>Reconciliation of Net Operating Revenues (Expenses)</b>		
<b>to Net Cash Used in Operating Activities</b>		
Operating loss	\$ (580,754)	\$ (625,915)
Depreciation and amortization	189,849	214,544
(Gain) loss on sale of capital assets	9,729	-
Changes in operating assets and liabilities		
Patient accounts receivable, net	(62,715)	39,018
Estimated amounts due from and to Medicare	806	(36,684)
Accounts payable and accrued expenses	72,329	(22,713)
Other assets and liabilities	(30,589)	25,291
Net cash used in operating activities	\$ (401,345)	\$ (406,459)

**Sheridan County Health Complex**  
**A Component Unit of Sheridan County, Kansas**  
**Notes to Financial Statements**  
**December 31, 2011 and 2010**

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

***Nature of Operations and Reporting Entity***

Sheridan County Health Complex (Hospital) is an acute care hospital located in Hoxie, Kansas. The Hospital is a component unit of Sheridan County, Kansas (County). The Hospital is operated by a Board of Trustees elected by the registered voters of Sheridan County, Kansas. The Hospital primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in the Sheridan County area. It also operates a long-term care unit and assisted living in the same geographic area.

***Basis of Accounting and Presentation***

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

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

***Use of Estimates***

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

**Sheridan County Health Complex**  
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**Notes to Financial Statements**  
**December 31, 2011 and 2010**

***Intergovernmental and Sales Tax Revenue***

The Hospital received approximately 11% and 12% in 2011 and 2010 of its financial support from the proceeds of intergovernmental and sales taxes. One hundred percent of these funds were used to support operations in both years.

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

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

***Risk Management***

The Hospital is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; 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 Hospital Association. The workers' compensation premiums are subject to retrospective adjustment based on the overall performance of the fund. Management believes adequate reserves are in place within the plan to cover claims incurred but not reported and no additional amounts have been accrued related to claims for this plan.

***Patient Accounts Receivable***

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

***Supplies***

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

**Sheridan County Health Complex**  
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**Notes to Financial Statements**  
**December 31, 2011 and 2010**

**Capital Assets**

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

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

**Compensated Absences**

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

**Net Assets**

Net assets of the Hospital are classified in three components. Net assets invested in capital assets, net of related debt, consist of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net assets are noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the Hospital, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net assets are remaining assets less remaining liabilities that do not meet the definition of invested in capital assets, net of related debt or restricted expendable.

**Sheridan County Health Complex**  
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**Notes to Financial Statements**  
**December 31, 2011 and 2010**

***Net Patient Service Revenue***

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

***Charity Care***

The Hospital provides charity care to patients who are unable to pay for services. The amount of charity care is included in net patient service revenue and is not separately classified from the provision for uncollectible accounts.

***Income Taxes***

As an essential government function of the County, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the Hospital is subject to federal income tax on any unrelated business taxable income. The Hospital has obtained 501(c)(3) tax-exempt status with the IRS for purposes of participating in a Section 403(b) pension plan.

***Electronic Health Records Incentive Program***

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

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

**Sheridan County Health Complex**  
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**Notes to Financial Statements**  
**December 31, 2011 and 2010**

***Subsequent Events***

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

**Note 2: Net Patient Service Revenue**

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

*Medicare.* The Hospital is recognized as a Critical Access Hospital (CAH) and is paid at one hundred one percent (101%) of allowable costs for certain inpatient and outpatient services. The Hospital is reimbursed for certain services and cost reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor.

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

Medicaid reimbursement for long-term care facility residents is based on a cost-based prospective reimbursement methodology. The Hospital is reimbursed at a prospective rate with annual cost reports submitted to the Medicaid program. Rates are computed each calendar quarter using an average of the 2007, 2008 and 2009 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. As part of a provider assessment program approved by CMS on February 2, 2011, rates were updated retroactively to July 1, 2010, using 2007, 2008 and 2009 cost report data. Additional net revenues relative to the provider assessment program for the period from July 1, 2010 through June 30, 2011 (the State's fiscal year), were approximately \$78,000 and are included in 2011 net income. Effective July 1, 2011, rates were updated using 2008, 2009 and 2010 cost report data.

Approximately 50% and 46% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2011 and 2010. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

**Sheridan County Health Complex**  
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**Notes to Financial Statements**  
**December 31, 2011 and 2010**

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

**Note 3: Deposits**

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

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

At December 31, 2011 and 2010, respectively, \$709,131 and \$550,753 of the Hospital's bank balances of \$1,213,731 and \$1,059,106 were exposed to custodial credit risk as follows:

	<b>2011</b>	<b>2010</b>
Uninsured and collateral held by pledging financial institution's trust department or agent in other than the Hospital's name	<u>\$ 709,131</u>	<u>\$ 550,753</u>

**Summary of Carrying Values**

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

	<b>2011</b>	<b>2010</b>
Carrying value		
Deposits	<u>\$ 1,179,223</u>	<u>\$ 870,267</u>
Included in the following balance sheet captions		
Cash	\$ 975,252	\$ 668,822
Short-term certificates of deposit	<u>203,971</u>	<u>201,445</u>
	<u>\$ 1,179,223</u>	<u>\$ 870,267</u>

**Sheridan County Health Complex**  
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**Notes to Financial Statements**  
**December 31, 2011 and 2010**

**Note 4: Patient Accounts Receivable**

The Hospital grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at December 31, 2011 and 2010, consisted of:

	<b>2011</b>	<b>2010</b>
Medicare	\$ 306,949	\$ 308,411
Medicaid	9,808	30,411
Blue Cross	93,886	41,441
Other third-party payers	55,560	60,059
Patients	258,175	272,341
	724,378	712,663
Less allowance for uncollectible accounts	245,000	296,000
	\$ 479,378	\$ 416,663

**Note 5: Capital Assets**

Capital assets activity for the years ended December 31, 2011 and 2010, was:

	<b>2011</b>			
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Land	\$ 18,208	\$ -	\$ -	\$ 18,208
Land improvements	170,618	-	-	170,618
Buildings	3,211,660	-	(126,751)	3,084,909
Fixed equipment	770,477	98,242	(36,063)	832,656
Major moveable equipment	1,915,600	215,913	(683,729)	1,447,784
Construction in progress	-	13,500	-	13,500
	6,086,563	327,655	(846,543)	5,567,675
Less accumulated depreciation				
Land improvements	157,307	2,737	-	160,044
Buildings	2,969,253	68,109	(126,751)	2,910,611
Fixed equipment	512,142	29,524	(32,440)	509,226
Major moveable equipment	1,670,863	89,479	(677,623)	1,082,719
	5,309,565	189,849	(836,814)	4,662,600
Capital assets, net	\$ 776,998	\$ 137,806	\$ (9,729)	\$ 905,075

**Sheridan County Health Complex**  
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**Notes to Financial Statements**  
**December 31, 2011 and 2010**

	<b>2010</b>			<b>Ending Balance</b>
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	
Land	\$ 18,208	\$ -	\$ -	\$ 18,208
Land improvements	170,618	-	-	170,618
Buildings	3,211,660	-	-	3,211,660
Fixed equipment	766,391	4,086	-	770,477
Major moveable equipment	1,886,451	29,149	-	1,915,600
	<u>6,053,328</u>	<u>33,235</u>	<u>-</u>	<u>6,086,563</u>
Less accumulated depreciation				
Land improvements	152,303	5,004	-	157,307
Buildings	2,852,709	116,544	-	2,969,253
Fixed equipment	487,203	24,939	-	512,142
Major moveable equipment	1,602,806	68,057	-	1,670,863
	<u>5,095,021</u>	<u>214,544</u>	<u>-</u>	<u>5,309,565</u>
Capital assets, net	<u>\$ 958,307</u>	<u>\$ (181,309)</u>	<u>\$ -</u>	<u>\$ 776,998</u>

**Note 6: Medical Malpractice Coverage and Claims**

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

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

**Sheridan County Health Complex**  
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**Notes to Financial Statements**  
**December 31, 2011 and 2010**

**Note 7: Long-term Debt**

The following is a summary of long-term debt transactions for the Hospital for the years ended December 31, 2011 and 2010:

	<b>2011</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Capital lease obligations	\$ 51,196	\$ -	\$ (51,196)	\$ -	\$ -
	<b>2010</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Capital lease obligations	\$ 124,296	\$ -	\$ (73,100)	\$ 51,196	\$ 51,196

**Capital Lease Obligations**

The Hospital is obligated under leases for equipment that are accounted for as capital leases. The cost of assets under capital leases for the years ended December 31, 2011 and 2010, totaled \$152,091 and \$164,643, respectively, with accumulated depreciation of \$46,188 and \$33,637, respectively.

**Note 8: Operating Lease**

The Hospital has entered into an operating lease for a CT scanner for a term of three years. The lease requires the Hospital to pay certain executory costs (property taxes, maintenance and insurance).

Future minimum lease payments at December 31, 2011, were:

2011	\$ 79,200
2012	79,200
	\$ 158,400

Rent expense for all operating leases was \$79,200 and \$72,600 for the years ended December 31, 2011 and 2010, respectively.

**Sheridan County Health Complex**  
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**Notes to Financial Statements**  
**December 31, 2011 and 2010**

**Note 9: Pension Plan**

The Hospital contributes to a defined contribution pension plan covering substantially all employees. Pension expense is recorded for the amount of the Hospital's required contributions, determined in accordance with the terms of the plan. The plan is administered by a board of trustees appointed by the Sheridan County Health Complex Board. The plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the Hospital's governing body. Contribution rates for plan members and the Hospital expressed as a percentage of covered payroll were 2.16% and 0.85% for 2011 and 2.58% and 0.80% for 2010, respectively. Contributions actually made by plan members and the Hospital aggregated \$72,151 and \$28,498 during 2011 and \$81,184 and \$25,115 during 2010, respectively.

**Note 10: Current Economic Conditions**

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

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

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

## **Supplementary Information**

**Sheridan County Health Complex**  
**A Component Unit of Sheridan County, Kansas**  
**Net Patient Service Revenue**  
**Years Ended December 31, 2011 and 2010**

	2011		
	Inpatient	Outpatient	Total
<b>Nursing, Dietary and Room Services</b>			
Acute hospital	\$ 212,800	\$ 254,193	\$ 466,993
Swing-bed and night care	211,836	-	211,836
Long-term care	1,486,882	-	1,486,882
Assisted living	151,454	-	151,454
	<u>2,062,972</u>	<u>254,193</u>	<u>2,317,165</u>
Operating room	2,500	98,333	100,833
Delivery room	-	246	246
Anesthesiology	6,240	39,520	45,760
Radiology	51,973	487,114	539,087
Laboratory	66,470	586,844	653,314
Physical therapy	56,625	165,190	221,815
Occupational therapy	20,700	3,315	24,015
Speech therapy	1,095	2,481	3,576
Electrocardiology	7,577	127,255	134,832
Central supply	267,858	124,750	392,608
Pharmacy	456,170	371,383	827,553
Clinic	152	30,627	30,779
Emergency room	8,709	301,621	310,330
Rural health clinics	-	838,025	838,025
Lifeline	-	16,527	16,527
	<u>\$ 3,009,041</u>	<u>\$ 3,447,424</u>	<u>6,456,465</u>
<b>Contractual Allowance</b>			(743,608)
<b>Provision for Uncollectible Accounts</b>			<u>24,907</u>
<b>Net Patient Service Revenue</b>			<u>\$ 5,737,764</u>

<b>2010</b>		
<b>Inpatient</b>	<b>Outpatient</b>	<b>Total</b>
\$ 137,815	\$ 142,404	\$ 280,219
153,069	-	153,069
1,639,320	-	1,639,320
127,112	-	127,112
<u>2,057,316</u>	<u>142,404</u>	<u>2,199,720</u>
1,250	99,746	100,996
-	246	246
2,800	38,960	41,760
35,409	473,325	508,734
57,999	576,005	634,004
36,667	181,764	218,431
20,316	3,520	23,836
1,125	600	1,725
4,872	153,727	158,599
217,295	127,418	344,713
329,475	367,211	696,686
1,571	36,181	37,752
4,589	223,794	228,383
-	778,849	778,849
<u>-</u>	<u>17,712</u>	<u>17,712</u>
<u>\$ 2,770,684</u>	<u>\$ 3,221,462</u>	5,992,146
		(623,358)
		<u>(141,078)</u>
		<u>\$ 5,227,710</u>

**Sheridan County Health Complex**  
**A Component Unit of Sheridan County, Kansas**  
**Contractual Allowances and Other Operating Revenues**  
**Years Ended December 31, 2011 and 2010**

**Contractual Allowances**

	<u>2011</u>	<u>2010</u>
Medicare	\$ 359,281	\$ 151,815
Medicaid	(115,702)	110,112
Blue Cross	247,000	209,960
Commercial	103,780	65,155
Charity	72,959	53,039
Other	<u>76,290</u>	<u>33,277</u>
	<u>\$ 743,608</u>	<u>\$ 623,358</u>

**Other Operating Revenues**

	<u>2011</u>	<u>2010</u>
Cafeteria sales	\$ 34,993	\$ 38,667
Supplies sold	13,080	11,628
Medical records transcript fees	1,750	1,326
Vending machines	1,414	2,311
Activities	1,019	3,033
Beauty shop	-	2,100
Other	<u>11,111</u>	<u>10,975</u>
	<u>\$ 63,367</u>	<u>\$ 70,040</u>

**Sheridan County Health Complex**  
**A Component Unit of Sheridan County, Kansas**  
**Operating Expenses**  
**Years Ended December 31, 2011 and 2010**

	<b>2011</b>		<b>Total</b>
	<b>Salaries</b>	<b>Other</b>	
Nursing service	\$ 551,250	\$ 47,975	\$ 599,225
Long-term care	721,552	111,335	832,887
Assisted living	36,345	9,507	45,852
Operating room	8,936	9,569	18,505
Anesthesia	-	42,422	42,422
Radiology	147,475	246,652	394,127
Laboratory	204,154	209,624	413,778
Physical therapy	60,403	32,867	93,270
Occupational therapy	-	20,267	20,267
Speech therapy	-	1,463	1,463
Electrocardiology	-	2,993	2,993
Central supply	23,392	45,925	69,317
Pharmacy	50,375	161,692	212,067
Clinic	11,176	488	11,664
Emergency room	93,061	267,446	360,507
Rural health clinics	338,461	348,430	686,891
Depreciation - building and fixed equipment	-	104,825	104,825
Employee benefits	-	574,573	574,573
Purchasing	26,048	2,162	28,210
Business office	219,776	68,276	288,052
Administrative and general	229,353	330,065	559,418
Plant operation and maintenance	87,917	161,354	249,271
Laundry and linen	73,824	14,064	87,888
Housekeeping	80,459	22,588	103,047
Dietary	214,530	155,837	370,367
Nursing administration	303	2,722	3,025
Medical records	101,586	26,632	128,218
Social service	36,241	477	36,718
Activities	29,609	3,700	33,309
Loss on sale of assets	-	9,729	9,729
	<u>\$ 3,346,226</u>	<u>\$ 3,035,659</u>	<u>\$ 6,381,885</u>

<b>2010</b>		
<b>Salaries</b>	<b>Other</b>	<b>Total</b>
\$ 456,337	\$ 43,504	\$ 499,841
717,609	87,202	804,811
34,776	9,267	44,043
9,230	17,109	26,339
-	37,760	37,760
134,367	227,498	361,865
184,285	206,740	391,025
58,455	32,671	91,126
-	18,195	18,195
-	900	900
-	1,888	1,888
23,105	42,202	65,307
44,955	143,340	188,295
13,727	6	13,733
126,208	202,531	328,739
323,528	208,065	531,593
-	150,942	150,942
-	559,486	559,486
26,642	1,325	27,967
184,840	71,563	256,403
182,217	325,729	507,946
80,380	180,303	260,683
66,215	14,632	80,847
74,098	21,872	95,970
182,869	148,228	331,097
52,936	629	53,565
94,124	20,850	114,974
28,576	249	28,825
42,546	6,954	49,500
-	-	-
<u>\$ 3,142,025</u>	<u>\$ 2,781,640</u>	<u>\$ 5,923,665</u>