

Wichita County Health Center
A Component Unit of Wichita County, Kansas
Independent Accountants' Report and Financial Statements
December 31, 2011 and 2010



Wichita County Health Center
A Component Unit of Wichita County, Kansas
December 31, 2011 and 2010

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Independent Accountants' Report

Board of Trustees
Wichita County Health Center
Leoti, Kansas

We have audited the accompanying balance sheets of Wichita County Health Center, a component unit of Wichita County, Kansas, as of December 31, 2011 and 2010, 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 Health Center'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 Wichita County Health Center 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.

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

BKD, LLP

April 3, 2012

Wichita County Health Center
A Component Unit of Wichita County, Kansas
Balance Sheets
December 31, 2011 and 2010

Assets

	2011	2010
Current Assets		
Cash and cash equivalents	\$ 90,033	\$ 604,796
Patient accounts receivable, net of allowance; 2011 – \$15,185, 2010 – \$20,277	548,737	711,324
Estimated amounts due from third-party payers	300,000	-
Other receivables	62,052	30,188
Supplies	145,002	142,977
Prepaid expenses and other	40,737	48,586
Total current assets	1,186,561	1,537,871
 Noncurrent Cash and Investments		
Restricted by donors for capital acquisitions	-	21,953
 Capital Assets, Net	2,419,761	2,635,216
Total assets	\$ 3,606,322	\$ 4,195,040

Liabilities and Net Assets

	<u>2011</u>	<u>2010</u>
Current Liabilities		
Current maturities of long-term debt	\$ 20,678	\$ 37,381
Accounts payable	267,872	272,049
Accrued expenses	356,943	348,575
Estimated amounts due to third-party payers	-	322,000
	<u>645,493</u>	<u>980,005</u>
Long-term Debt	67,545	66,790
Other Long-term Liabilities	32,000	-
	<u>745,038</u>	<u>1,046,795</u>
Net Assets		
Invested in capital assets, net of related debt	2,331,538	2,531,045
Restricted-expendable for		
Capital acquisitions	-	21,953
Unrestricted	529,746	595,247
	<u>2,861,284</u>	<u>3,148,245</u>
Total liabilities and net assets	<u>\$ 3,606,322</u>	<u>\$ 4,195,040</u>

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

	<u>2011</u>	<u>2010</u>
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2011 – \$113,486, 2010 – \$83,069	\$ 5,249,820	\$ 5,226,235
Other	47,498	45,627
	<u>5,297,318</u>	<u>5,271,862</u>
Operating Expenses		
Salaries and wages	3,064,009	3,118,215
Supplies and other	2,981,775	2,974,127
Depreciation and amortization	290,987	314,269
	<u>6,336,771</u>	<u>6,406,611</u>
	<u>(1,039,453)</u>	<u>(1,134,749)</u>
Operating Loss		
Nonoperating Revenues (Expenses)		
Property taxes	594,101	585,115
Noncapital grants and gifts	110,403	264,699
Investment income	6,561	5,329
Interest expense	(10,405)	(4,863)
	<u>700,660</u>	<u>850,280</u>
Deficiency of Revenues Over Expenses Before Capital Grants and Gifts and Transfers	(338,793)	(284,469)
Capital Grants and Gifts	31,690	43,491
Transfers to Wichita County Community Foundation	-	(77,169)
Transfers from County	<u>20,142</u>	<u>18,149</u>
Decrease in Net Assets	(286,961)	(299,998)
Net Assets, Beginning of Year	<u>3,148,245</u>	<u>3,448,243</u>
Net Assets, End of Year	<u>\$ 2,861,284</u>	<u>\$ 3,148,245</u>

Wichita County Health Center
A Component Unit of Wichita County, Kansas
Statements of Cash Flows
Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating Activities		
Receipts from and on behalf of patients	\$ 4,790,407	\$ 5,573,851
Payments to suppliers	(2,958,615)	(2,880,103)
Payments to employees	(3,055,641)	(3,102,651)
Other receipts, net	55,483	38,880
	<u>(1,168,366)</u>	<u>(370,023)</u>
Net cash used in operating activities		
Noncapital Financing Activities		
Property taxes supporting operations	594,101	585,115
Noncapital grants and gifts	110,403	264,699
Transfers to Wichita County Community Foundation	-	(77,169)
Transfers from County	20,142	18,149
	<u>724,646</u>	<u>790,794</u>
Net cash provided by noncapital financing activities		
Capital and Related Financing Activities		
Capital grants and gifts	31,690	43,491
Principal paid on long-term debt	(36,148)	(49,772)
Interest paid on long-term debt	(10,405)	(4,863)
Purchases of capital assets	(84,694)	(106,532)
	<u>(99,557)</u>	<u>(117,676)</u>
Net cash used in capital and related financing activities		
Investing Activities		
Change in held by Wichita County Health Center Endowment Foundation	-	77,169
Investment income	6,561	5,329
	<u>6,561</u>	<u>82,498</u>
Net cash provided by investing activities		
Increase (Decrease) in Cash and Cash Equivalents	(536,716)	385,593
Cash and Cash Equivalents, Beginning of Year	<u>626,749</u>	<u>241,156</u>
Cash and Cash Equivalents, End of Year	<u>\$ 90,033</u>	<u>\$ 626,749</u>
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents in current assets	\$ 90,033	\$ 604,796
Cash and cash equivalents in noncurrent cash and investments	-	21,953
	<u>\$ 90,033</u>	<u>\$ 626,749</u>
Total cash and cash equivalents		

Wichita County Health Center
A Component Unit of Wichita County, Kansas
Statements of Cash Flows (Continued)
Years Ended December 31, 2011 and 2010

	2011	2010
Reconciliation of Operating Loss to Net Cash		
Used in Operating Activities		
Operating loss	\$ (1,039,453)	\$ (1,134,749)
Depreciation and amortization	290,987	314,269
Provision for uncollectible accounts	15,185	20,277
Changes in operating assets and liabilities		
Patient accounts receivable, net	147,402	(226,661)
Estimated amounts due from and to third-party payers	(622,000)	554,000
Other receivables	136	(1,742)
Supplies	(2,025)	7,323
Prepaid expenses and other	7,849	(5,005)
Accounts payable and accrued expenses	33,553	102,265
	\$ (1,168,366)	\$ (370,023)
 Supplemental Cash Flows Information		
Capital lease obligations incurred for capital assets	\$ 20,200	\$ 88,065
Capital asset acquisitions included in accounts payable	\$ -	\$ 29,362

Wichita County Health Center
A Component Unit of Wichita 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

Wichita County Health Center (Health Center) is owned by Wichita County (County) and governed by an elected Board of Trustees. The Health Center is considered a component unit of Wichita County. The Health Center provides health care services and is located in Leoti, Kansas. The Health Center also provides long-term care and clinic services. The long-term care facility is doing business as Golden Acres.

During 1997, the Health Center established an endowment fund. This fund was established to maintain funds for the Community Healthcare Partnership project and was funded by contributions qualifying for the Kansas Community Service Program Act. This fund was incorporated into the Wichita County Health Center Endowment Foundation (Foundation) in 1998. The Foundation is a 501(c)(3) nonprofit corporation organized and operated to serve as a supporting organization for the Health Center. The Foundation is considered a component unit of the Health Center and included in the financial statements of the Health Center using the blended method. Effective January 1, 2010, the Foundation was dissolved and all assets were transferred to the Wichita County Community Foundation, an independent entity for Wichita County, Kansas.

Basis of Accounting and Presentation

The financial statements of the Health Center 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 property taxes, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Health Center 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 Health Center 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 Health Center has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those that were issued on or after November 30, 1989, and do not conflict with or contradict GASB pronouncements.

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Use of Estimates

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

Cash Equivalents

The Health Center considers all liquid investments with original maturities of three months or less to be cash equivalents. There are no cash equivalents at December 31, 2011 and 2010.

Effective July 21, 2010, the FDIC's insurance limits were permanently increased to \$250,000. At December 31, 2011, the Health Center's cash accounts did not exceed federally insured limits.

Property Taxes

The Health Center received approximately 11% in 2011 and 10% in 2010 of its financial support from property taxes.

Property taxes are assessed on a calendar basis and are received beginning January 1 of each year. Revenue from property taxes is recognized in the year for which the taxes are levied.

Risk Management

The Health Center 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, except 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 Health Center Association. The workers' compensation premiums are subject to retrospective adjustment based upon 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 Health Center reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Health Center provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Wichita County Health Center
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December 31, 2011 and 2010

Supplies

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

Capital Assets

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

Land improvements	20 years
Buildings	10-50 years
Fixed equipment	10-20 years
Moveable equipment	5-20 years

Compensated Absences

Health Center 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 Health Center 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 balances of any outstanding 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 Health Center. 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.

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Net Patient Service Revenue

The Health Center has agreements with third-party payers that provide for payments to the Health Center at amounts different from its established rates. Patient service revenue is recorded at established rates with contractual adjustments, charity care and other adjustments deducted to arrive at net patient service revenue before the 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 Health Center provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Health Center 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 Health Center is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

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

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December 31, 2011 and 2010

Reclassifications

Certain reclassifications have been made to the 2010 financial statements to conform to the 2011 financial statement presentation. These reclassifications had no effect on the change in net assets.

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: 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 Health Center'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, none of the Health Center's bank balance of \$240,091 was exposed to custodial credit risk. At December 31, 2010, \$371,324 of the Health Center's bank balances of \$621,324 was exposed to custodial credit risk as follows:

	2011	2010
Collateral held by pledging financial institution's trust department or agent in other than the Health Center's name	\$ -	\$ 371,324

Note 3: Net Patient Service Revenue

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

Medicare. The Health Center is licensed as a Critical Access Hospital, and is paid for inpatient acute care, skilled swing-bed and outpatient services rendered to Medicare program beneficiaries at one hundred one percent (101%) of actual cost subject to certain limitations. The Health Center is reimbursed for certain services at tentative rates with final settlement determined after submission of an annual cost report by the Health Center and audit thereof by the Medicare administrative contractor.

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Medicaid. The Medicaid state plan provides for a cost reimbursement methodology for inpatient and outpatient services rendered to beneficiaries who are not part of a Medicaid managed care network. The Health Center is reimbursed at tentative rates with final settlements determined after submission of an annual cost report by the Health Center and reviews thereof by the Kansas Department of Health and Environment. The Health Center is reimbursed on a prospective payment methodology for inpatient and outpatient services rendered to beneficiaries who are part of a Medicaid managed care network. 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. 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 \$84,000 and are included in the 2011 net income. Effective July 1, 2011, rates were updated using 2008, 2009 and 2010 cost report data.

Approximately 54% and 66% of net patient service revenues are from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2011 and 2010, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Health Center has also entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to the Health Center under these agreements includes prospectively determined case rates and discounts from established charges.

Net patient service revenue consists of the following for the years ended December 31:

	2011	2010
Gross patient service revenue	\$ 4,331,676	\$ 4,634,525
Less:		
Medicare	1,311,943	1,130,760
Medicaid	(43,964)	(209,384)
Charity care	(10,878)	(13,688)
Other	(225,471)	(232,909)
Provision for uncollectible accounts	(113,486)	(83,069)
	<u>\$ 5,249,820</u>	<u>\$ 5,226,235</u>

Wichita County Health Center
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Note 4: Patient Accounts Receivable

The Health Center 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 consisted of:

	<u>2011</u>	<u>2010</u>
Medicare	\$ 233,070	\$ 351,350
Medicaid	29,598	47,479
Blue Cross	51,411	61,674
Other third-party payers	70,059	39,221
Self-pay	66,254	63,704
	<u>450,392</u>	<u>563,428</u>
Less allowance for contractual adjustments	113,530	168,173
Less allowance for uncollectible accounts	<u>(15,185)</u>	<u>(20,277)</u>
	<u>\$ 548,737</u>	<u>\$ 711,324</u>

The mix of gross patient accounts receivables from patient and third-party payers at December 31 consisted of:

	<u>2011</u>	<u>2010</u>
Medicare	52%	62%
Medicaid	7%	9%
Blue Cross	11%	11%
Other third-party payers	16%	7%
Self-pay	14%	11%
	<u>100%</u>	<u>100%</u>

Wichita County Health Center
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Notes to Financial Statements
December 31, 2011 and 2010

Note 5: Capital Assets

Capital assets activity for the years ended December 31 was:

	2011			
	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 5,950	\$ -	\$ -	\$ 5,950
Land improvements	186,031	-	-	186,031
Buildings	3,939,216	18,100	-	3,957,316
Fixed equipment	1,221,184	-	-	1,221,184
Major moveable equipment	1,463,923	57,432	-	1,521,355
	<u>6,816,304</u>	<u>75,532</u>	<u>-</u>	<u>6,891,836</u>
Less accumulated depreciation				
Land improvements	113,149	8,021	-	121,170
Buildings	1,941,833	165,909	-	2,107,742
Fixed equipment	926,903	33,708	-	960,611
Major moveable equipment	1,199,203	83,349	-	1,282,552
	<u>4,181,088</u>	<u>290,987</u>	<u>-</u>	<u>4,472,075</u>
Capital Assets, Net	<u>\$ 2,635,216</u>	<u>\$ (215,455)</u>	<u>\$ -</u>	<u>\$ 2,419,761</u>
	2010			
	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 5,950	\$ -	\$ -	\$ 5,950
Land improvements	186,031	-	-	186,031
Buildings	3,939,216	-	-	3,939,216
Fixed equipment	1,195,431	27,733	(1,980)	1,221,184
Major moveable equipment	1,373,445	137,502	(47,024)	1,463,923
	<u>6,700,073</u>	<u>165,235</u>	<u>(49,004)</u>	<u>6,816,304</u>
Less accumulated depreciation				
Land improvements	105,130	8,019	-	113,149
Buildings	1,775,221	166,612	-	1,941,833
Fixed equipment	886,648	42,235	(1,980)	926,903
Major moveable equipment	1,148,824	97,403	(47,024)	1,199,203
	<u>3,915,823</u>	<u>314,269</u>	<u>(49,004)</u>	<u>4,181,088</u>
Capital Assets, Net	<u>\$ 2,784,250</u>	<u>\$ (149,034)</u>	<u>\$ -</u>	<u>\$ 2,635,216</u>

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Note 6: Medical Malpractice Coverage and Claims

The Health Center purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. 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 Health Center's claim experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Note 7: Long-term Obligations

The following is a summary of long-term obligation transactions for the Health Center for the years ended December 31:

	2011					
	Beginning			Ending	Current	Long-term
	Balance	Additions	Deductions	Balance	Portion	Portion
Capital lease obligations	\$ 104,171	\$ 20,200	\$ 36,148	\$ 88,223	\$ 20,678	\$ 67,545

	2010					
	Beginning			Ending	Current	Long-term
	Balance	Additions	Deductions	Balance	Portion	Portion
Capital lease obligations	\$ 65,878	\$ 88,065	\$ 49,772	\$ 104,171	\$ 37,381	\$ 66,790

Scheduled payments on the capital lease obligations are as follows:

	Capital Lease	
	Principal	Interest
Year Ending December 31,		
2012	\$ 20,678	\$ 7,317
2013	21,345	5,417
2014	18,798	3,404
2015	13,424	1,767
2016	1,891	1,050
2017 - 2021	12,087	2,618
	\$ 88,223	\$ 21,573

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The following is an analysis of the financial presentation of the capital leases at December 31:

	2011	2010
Equipment	\$ 108,265	\$ 297,065
Less accumulated depreciation	24,828	195,373
	\$ 83,437	\$ 101,692

Note 8: Pension Plan

The Health Center maintains a defined contribution pension plan (401(a) plan) for all eligible employees. Eligibility is established by all employees who have completed one year of service and are at least 21 years of age and have been paid for 1,000 hours of service for the year. Employer contributions are computed at the rate of 4.5% of annual compensation for full-time employees and 7.0% for part-time, seasonal and temporary employees. Benefits are funded by a money purchase annuity with an insurance company. The plan is funded for past service on an installment basis over the remaining duration of employment from the effective date of the plan to the employee's normal retirement date. Contributions actually made by plan members and the Health Center aggregated \$63,506 and \$114,311 during 2011 and \$60,081 and \$116,500 during 2010, respectively. Benefits start vesting immediately with 100% vesting after six years of service. In case of death or disability, all funds contributed by the Health Center are 100% vested. In the case of termination of an employee prior to retirement, all funds contributed by the Health Center which are not vested will be returned to the Health Center.

The Health Center provides one additional defined contribution plan (457 plan). The Health Center does not make contributions to the 457 plan. Contributions made by plan members totaled \$42,065 and \$40,274 during 2011 and 2010, respectively. The plan year begins on January 1 and ends December 31.

Note 9: Transfers from County

Transfers of \$20,140 and \$18,149 for 2011 and 2010, respectively, represent reimbursement of compensation paid to a case manager employed by the Health Center.

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Notes to Financial Statements
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Note 10: Risks and Uncertainties

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 Health Center.

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 Health Center'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 Health Center's ability to maintain sufficient liquidity.