STANTON COUNTY HOSPITAL

A COMPONENT UNIT OF STANTON COUNTY, KANSAS

FINANCIAL STATEMENTS

and

ADDITIONAL INFORMATION

with

INDEPENDENT AUDITOR'S REPORT

YEARS ENDED DECEMBER 31, 2012 AND 2011

George, Bowerman & Noel, P.A.
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Stanton County Hospital
Johnson, Kansas

We have audited the financial statements of Stanton County Hospital, a component unit of Stanton County Kansas, as listed in the table of contents, at and for the year ended December 31, 2012.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Kansas Municipal Audit and Accounting Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stanton County Hospital as of December 31, 2012, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The 2011 financial statements were audited by other auditors and their report thereon, dated May 21, 2012, expressed an unmodified opinion on the financial statements prior to restatement. The additional information for the year ended December 31, 2011, was audited by other auditors whose report dated May 21, 2012, expressed an unmodified opinion on such information, prior to restatement, in relation to the basic financial statements for the year ended December 31, 2011 taken as a whole.

As part of our audit of the 2012 financial statements, we also audited the adjustments described in Note 11 that were applied to restate the 2011 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2011 financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2011 financial statements as a whole.

Additional Information

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

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

George, Bowerman & Noel, P.A.

Wichita, Kansas
June 25, 2013

STANTON COUNTY HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Stanton County Hospital financial performance provides an overview of the Hospital's financial activities for the fiscal years ended December 31, 2012 and 2011. Please read it in conjunction with the Hospital's financial statements, which begin on page 8.

Financial Highlights

- The Hospital's net position increased in 2012 by $1,274,103 or 9.77% compared to an increase in 2011 of $8,575,003 or 192.08%. The significant increases in both 2012 and 2011 were primarily due to transfers from the County related to Hospital construction/renovation project completed in 2012.

- Contractual allowances, charity care and bad debts reduced gross patient service revenue by $342,114 or 6.61% of gross patient service revenue in 2012 and by $305,763 or 7.69% of gross patient service revenue in 2011.

- Other operating revenue increased in 2012 by $199,905 or 761.40% over the amounts for 2011. This was primarily due to the accrual of approximately $192,000 of revenue for the Medicare and Medicaid electronic health record incentive program in 2012 as discussed in Note 2 to the financial statements.

- The Hospital reported an operating loss in both 2012 ($1,825,184) and 2011 ($1,630,164). The operating loss in 2012 increased by $195,020 or 11.96% from the loss reported in 2011. The operating loss in 2011 increased by $247,276 or 17.88% over the loss reported in 2010.

- Net nonoperating revenues/expenses increased by $350,595 or 50.99% in 2012 compared to an decrease in 2011 of $167,381 or 19.58%. The increase in 2012 was due primarily to an increase in intergovernmental revenue.

Financial Statements

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

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

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

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

Net Position

The information below summarizes the Hospital's net position as of December 31, 2012, 2011 and 2010.

	December 31,		
	2012	2011	2010
Assets:			
Current assets	$ 1,844,299	$ 1,166,347	$ 1,103,073
Other assets	221,409	221,221	818,944
Capital assets, net	13,151,932	12,461,718	3,412,995
Total assets	$ 15,217,640	$ 13,849,286	$ 5,335,012
Liabilities:			
Long-term liabilities	$ 328,996	$ 296,333	$ 336,058
Other liabilities	575,362	513,774	534,778
Total liabilities	$ 904,358	$ 810,107	$ 870,836
Net position:			
Invested in capital assets, net	$ 12,770,331	$ 12,125,659	$ 2,952,838
Unrestricted	1,542,951	913,520	1,511,338
Total net position	$ 14,313,282	$ 13,039,179	$ 4,464,176

Recent Financial Performance

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

	Year ended December 31,		
	2012	2011	2010
Operating revenue	$ 5,059,843	$ 3,694,622	$ 3,588,419
Operating expenses:			
Salaries	2,881,627	2,674,004	2,603,262
Employee benefits	804,040	765,561	812,273
Purchased services and professional fees	446,650	453,209	265,916
Supplies and other	1,568,370	937,794	1,022,443
Depreciation and amortization	1,184,340	494,218	267,413
Total operating expenses	6,885,027	5,324,786	4,971,307
Operating loss	(1,825,184)	(1,630,164)	(1,382,888)

	Year ended December 31,		
	2012	2011	2010
Nonoperating revenues (expenses):			
Intergovenmental revenue	$ 1,103,022	$ 705,763	$ 851,947
Interest income	1,577	1,281	3,359
Interest expense	(14,193)	(16,608)	(16,697)
Grants and contributions	9,120	29,046	17,066
Loss on disposal of capital assets	(61,396)	(31,947)	(759)
Total nonoperating revenues (expenses)	1,038,130	687,535	854,916
Excess of expenses over revenues before capital grants and contributions	(787,054)	(942,629)	(527,972)
Capital grants and contributions	8,093	27,515	–
Transfers from County	2,053,064	9,490,117	2,163,636
Increase in net position	$ 1,274,103	$ 8,575,003	$ 1,635,664
Net position at end of year	$ 14,313,282	$ 13,039,179	$ 4,464,176

Overall, operating revenues increased 36.95% from 2011 to 2012 and increased 2.96% from 2010 to 2011.

- Net patient service revenue increased 31.77% from 2011 to 2012 as compared to an increase of 2.94% from 2010 to 2011. The significant increase in 2012 was due, in part, to the completion of the construction/renovation project which had temporarily caused some disruption in patient services in 2010 and 2011.

- Other operating revenues increased significantly from 2011 to 2012 primarily due to the electronic health record incentive program mentioned above.

Overall, operating expenses increased 29.30% from 2011 to 2012 and increased 7.11% from 2010 to 2011.

- Salaries, wages, and employee benefits increased 7.16% from 2011 to 2012 and increased 0.70% from 2010 to 2011.

- Depreciation expense increased 139.64% from 2011 to 2012 and increased 84.81% from 2010 to 2011 primarily due to phases of the construction/renovation project coming online during 2011 and 2012.

Overall, the Hospital's operating loss increased 11.96% from 2011 to 2012 and increased 17.88% from 2010 to 2011 due primarily to the significant increased in depreciation expense related to the assets capitalized from the construction/renovation project. It is important to note that the calculation of the operating loss is a result of the application of accounting principles generally accepted ("GAAP") in the United States of America. The Hospital receives intergovernmental revenues from the County in part to subsidize the cost of services provided to uninsured patients. Although the expenses incurred to provide these services are recognized as operating expenses, GAAP reporting rules require that the tax revenues be reported as non-operating revenues.

Non-operating revenues and expenses consist primarily of the intergovernmental revenues from the County, interest expense on long-term debt, and grants and contributions.

Capital Assets

At the end of 2012, the Hospital had $13,151,932 invested in capital assets, net of accumulated depreciation, as detailed in Note 5 to the financial statements. The Hospital acquired additional capital assets of $1,987,444 and $9574,888 in 2012 and 2011, respectively, due primarily to the construction/renovation project.

Debt

The Hospital also leases certain equipment under capital lease agreements with remaining outstanding balances totaling approximately $381,601 at December 31, 2012. This includes a new lease for CT equipment for $185,100 in 2012.

Issues Facing the Hospital

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

- <u>Risks related to Medicare and Medicaid reimbursement</u>. A significant portion of the Hospital's revenues are derived from the Medicare program, which provides certain healthcare benefits to beneficiaries who are over 65 years of age or disabled, and the Medicaid program, funded jointly by the federal government and the states, which provides medical assistance to certain needy individuals and families. The funding of these programs by the federal and state governments face increasing pressure due to the significant increases in the costs of providing healthcare services in recent years.

- <u>Healthcare reform</u>. In 2010, the federal government enacted sweeping new legislation that will significantly impact virtually all aspects of the healthcare delivery and insurance Hospitals in the country. Portions of the legislation will be implemented over the next several years. However, most of the detailed implementing regulations have not yet been issued and accordingly, any specific effects on operations of the Hospital are currently undeterminable. Management continues to closely monitor the progression of the implementation of the legislation.

- <u>Employment and labor issues</u>. The Hospital is a major employer within the community, employing a complex mix of professional, technical, clerical, maintenance, dietary, and other workers. Risks include personal tort actions, work-related injuries and exposure to hazardous materials. A relative shortage of nursing and other medical professional/technical employees, is an issue that is causing salary and benefits costs to increase at significant rates.

- <u>Technology and services</u>. Scientific and technological advances, new procedures, drugs and appliances, preventive medicine, and outpatient healthcare delivery may reduce utilization and revenues for the Hospital in the future. Technological advances continue to accelerate the need to acquire sophisticated and expensive equipment and services for diagnosis and treatment of illnesses and diseases.

  As part of the new legislation passed in 2009 and 2010, the federal government is providing financial incentives to healthcare providers to join in implementing a national electronic health record (EHR) system. Accordingly, the Hospital has incurred significant expenditures for hardware and software to meet the requirements for the program. The Hospital's initial EHR system implementation was approved by the Medicare and Medicaid fiscal intermediaries in 2012.

- <u>Increasing numbers of uninsured and underinsured patients</u>. Due to the significant increases and high cost of healthcare insurance premiums in recent years, increasing numbers of patients of the Hospital are finding it more and more difficult to obtain or maintain adequate health insurance coverage. This trend could increase the levels of uncompensated care provided by the Hospital.

Contacting The Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Administration Department, at 404 N. Chestnut, Johnson, Kansas, 67855.

Stanton County Hospital

Statements of Net Position

ASSETS

	December 31, 2012	December 31, 2011
Current assets:		
Cash and cash equivalents (Notes 1 and 3)	$ 720,428	$ 194,186
Accounts receivable, net of allowance for doubtful accounts of $240,742 in 2012 and $240,000 in 2011 (Notes 1 and 4)	465,022	384,013
Property taxes receivable	29,027	26,005
Estimated third-party payor settlements (Note 2)	449,977	359,789
Inventories (Note 1)	88,696	91,289
Prepaid expenses and other	91,149	111,065
Total current assets	1,844,299	1,166,347
Assets limited as to use:		
Short-term certificate of deposit (Notes 1 and 3)	221,409	221,221
Capital assets (Notes 1, 5 and 11):		
Land	14,930	14,930
Land improvements	409,946	20,817
Buildings and fixed equipment	14,214,870	4,596,878
Movable equipment	1,566,280	1,443,676
Construction in progress	–	8,834,296
	16,206,026	14,910,597
Less accumulated depreciation	3,054,094	2,448,879
Total capital assets, net of accumulated depreciation	13,151,932	12,461,718
Total assets	$ 15,217,640	$ 13,849,286

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

LIABILITIES AND NET POSITION

	December 31, 2012	December 31, 2011
Current liabilities:		
Accounts payable	$ 161,242	$ 151,917
Salaries and wages payable	129,186	104,897
Other accrued expenses	64,438	53,209
Current portion of compensated absences payable (Note 1)	90,661	88,574
Current portion of capital lease obligations (Note 6)	129,835	115,177
Total current liabilities	575,362	513,774
Long-term liabilities (Notes 1 and 6):		
Long-term debt	251,766	220,881
Compensated absences payable	77,230	75,452
Total long-term liabilities	328,996	296,333
Total liabilities	904,358	810,107
Net position (Notes 1 and 11):		
Invested in capital assets, net of related debt	12,770,331	12,125,659
Unrestricted	1,542,951	913,520
Total net position	14,313,282	13,039,179
Total liabilities and net position	$ 15,217,640	$ 13,849,286

Stanton County Hospital

Statements of Revenues, Expenses, and Changes In Net Position

	Year ended December 31.	
	2012	2011
Operating revenues:		
Net patient service revenue	$ 4,833,683	$ 3,668,367
Other	226,160	26,255
Total operating revenues	5,059,843	3,694,622
Operating expenses:		
Salaries and wages	2,881,627	2,674,004
Employee benefits	804,040	765,561
Purchased services and professional fees	446,650	453,209
Supplies and other	1,568,370	937,794
Depreciation	1,184,340	494,218
Total operating expenses	6,885,027	5,324,786
Operating loss	(1,825,184)	(1,630,164)
Nonoperating revenues (expenses):		
Intergovernmental revenue	1,103,022	705,763
Noncapital grants and contributions	9,120	29,046
Interest income	1,577	1,281
Interest expense	(14,193)	(16,608)
Loss on disposal of capital assets	(61,396)	(31,947)
Total nonoperating revenues	1,038,130	687,535
Excess of expenses over revenues before captial grants and contributions	(787,054)	(942,629)
Capital grants and contributions	8,093	27,515
Transfers from County	2,053,064	9,490,117
Increase in net position	1,274,103	8,575,003
Net position, beginning of year		
As previously reported	13,039,179	4,081,962
Prior period adjustment (Note 11)	–	382,214
As restated	13,039,179	4,464,176
Net position, end of year	$ 14,313,282	$ 13,039,179

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

Stanton County Hospital

Statements of Cash Flows

	Year ended December 31.	
	2012	2011
Cash flows from operating activities:		
Receipts from and on behalf of patients	$ 4,854,193	$ 3,784,805
Payments to suppliers and contractors	(1,983,186)	(1,362,760)
Payments to employees	(3,646,284)	(3,453,557)
Other receipts and payments, net	34,453	58,202
Net cash used by operating activties	(740,824)	(973,310)
Cash flows from noncapital financing activities:		
Intergovernmental revenue	1,100,000	716,312
Noncapital grants and contributions	9,120	29,046
Net cash provided by noncapital financing activities	1,109,120	745,358
Cash flows from capital and related financing activities:		
Principal paid on capital leases	(128,092)	(124,098)
Interest paid on capital leases	(14,193)	(16,608)
Purchase of capital assets	(1,802,344)	(9,547,373)
Proceeds from sale of capital assets	40,029	–
Grants and contributions for capital assets	2,061,157	9,490,117
Net cash provided (used) by capital and related financing activities	156,557	(197,962)
Cash flows from investing activities:		
Interest on investments	1,577	1,281
Net change in assets limited as to use	(188)	(462)
Net cash provided by investing activties	1,389	819
Increase (decrease) in cash and cash equivalents	526,242	(425,095)
Cash and cash equivalents, beginning of year	194,186	619,281
Cash and cash equivalents, end of year	$ 720,428	$ 194,186

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

	Year ended December 31.	
	2012	2011
Reconcliation of operating loss to net cash provided by operating activities:		
Operating loss	$ (1,825,184)	$ (1,630,164)
Adjustments to reconcile operating loss:		
Depreciation and amortization	1,184,340	494,218
Provision for bad debts	75,033	72,388
Net (increases) decreases in operating assets and liabilities:		
Accounts receivable	(156,042)	206,839
Estimated third-part payor settlements	(90,188)	(162,789)
Accounts payable and accrued expenses	48,708	63,369
Other assets and liabilities	22,509	(17,171)
	$ (740,824)	$ (973,310)

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations and reporting entity

Stanton County Hospital (Hospital) is an acute care hospital located in Johnson, Kansas. The Hospital is a component unit of Stanton County, Kansas (County). The Hospital is governed by a Board of Trustees elected by the registered voters of the County. The Hospital primarily earns revenues by providing inpatient, outpatient, emergency care, and long-term care services to patients, substantially all of whom are from the Stanton County 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. Operating revenues and expenses include exchange transactions. Property taxes, investment income, interest on capital assets-related debt are included in nonoperating revenues and expenses.

The Hospital prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Use of estimates

The preparation of financial statements in conformity with 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.

Operating revenues and expenses

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

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Patient accounts receivable

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

Inventories

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

Capital assets

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

Land improvements	10-20 years
Buildings	15-40 years
Fixed equipment	5-20 years
Major moveable equipment	3-20 years

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

Net patient service revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors, and a provision for uncollectible accounts. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity care

The Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue. The Hospital provided $41,833 and $69,670 of charity care for the years ended December 31, 2012 and 2011, respectively estimated by multiplying the Hospital's cost to charge ratio by the gross uncompensated care charges associated with providing care to charity patients.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants and contributions

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

Net position

Net assets of the Hospital is classified into two components. *Net investment in capital assets* consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Unrestricted net position* are remaining assets plus deferred outflows of resources less remaining liabilities plus deferred outflows of resources that do not meet the definition of *net investment in capital assets*.

Compensated absences

Employees of the Hospital are entitled to paid time off (PTO) depending on their length of service with the Hospital. Employees begin accruing PTO on a bi-weekly basis following employment; however, PTO cannot be used until after the employee has completed a 3-month introductory period. Up to 120 hours of unused PTO may be carried over to the next year in a reserve bank. The reserve bank may not exceed 120 hours. Employees may cash in up to 60 hours in the reserve bank at full value at their base rate of pay. Reserve bank hours above 60 hours are reimbursed at a rate of one hour for every two hours accumulated.

Upon resignation, termination or retirement from service with the Hospital, employees with twelve or more months of employment are entitled to payment for all unused PTO hours plus their reserve bank hours. However, the reserve bank hours above 60 hours will be reimbursed at the rate of one hour for every two hours accumulated.

Cash and cash equivalents

Cash and cash equivalents include cash, certificates of deposit, money market and NOW accounts with maturities of three months or less, excluding those investments designated by the Board of Trustees for the purchase or replacement of capital assets (Note 3).

Taxation

The Hospital is a component unit of Stanton County, a political subdivision on the State of Kansas and as such, is exempt from Federal income taxes under Section 115 of the Internal Revenue Code.

Risk management

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

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Reclassifications

Certain other reclassifications have been made to the 2011 financial statements to conform to the 2012 presentation. These other reclassifications had no effect on the change in net position.

Subsequent events

Subsequent events have been evaluated through June 25, 2013, which is the date the financial statements were available to be issued.

2. ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS

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

- **Medicare** – Inpatient and outpatient services are paid based on cost reimbursement methodologies. The Hospital is reimbursed for cost reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and reviews thereof by the Medicare administrative contractor. The Hospital's Medicare cost reports have been reviewed by the Medicare fiscal intermediary through December 31, 2010.

- **Medicaid** – The Hospital is reimbursed under a cost reimbursement methodology for inpatient acute and outpatient services rendered to beneficiaries who are not part of a Medicaid managed care network. The Hospital is reimbursed for cost reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and reviews thereof by the Kansas Department of Health and Environment. The Hospital is reimbursed on a prospective payment methodology for inpatient and outpatient services to beneficiaries who are part of a Medicaid managed care network.

  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. The Medicaid cost reports are subject to audit by the State and adjustments to rates can be made retroactively. Effective July 1, 2011, 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. Additional revenue of approximately $101,000 for the period from July 1, 2010 through June 30, 2011 received as a result of the provider assessment program approved by CMS on February 2, 2011 is included in 2011 net income.

  Based on certain financial and clinical criteria, the Hospital also receives Medicaid disproportionate share (DSH) funding. Medicaid DSH payments were approximately $68,000 and $17,000 in 2012 and 2011, respectively.

Approximately 63% and 62% of net patient service revenue is from participation in the Medicare and Medicaid programs for the years ended December 31, 2012 and 2011, respectively. Laws and regulations governing the Medicare program 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.

2. ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS (continued)

Pursuant to enactment of the *American Recovery and Reinvestment Act of 2009*, the Medicare and Medicaid programs implemented programs to provide for one-time incentive payments for eligible hospitals that demonstrate meaningful use of certified electronic health records systems (EHR).

Under Medicare's incentive program, hospitals are generally eligible to receive these incentive payments for up to four years for reasonable costs incurred for certified EHR systems multiplied by the hospital's Medicare utilization plus 20%, up to 100% of the reasonable costs incurred. Payments under the Medicaid program are generally available for up to four years based upon a formula determined by the state and approved by the Centers for Medicare and Medicaid Services (CMS). Final amounts for any payment year are contingent upon the hospital continuing to meet increasing meaningful use criteria and, accordingly, are subject to review and approval by the Medicare and Medicaid programs fiscal intermediaries. As a result, it is reasonably possible that final determined amounts may differ materially from initial revenues recorded under these programs.

During 2012, the Hospital met the initial requirements to receive EHR incentive payments from both the Medicare and Medicaid programs and approximately $192,000 of other operating revenue has been accrued for the year ended December 31, 2012.

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

3. CASH AND INVESTED CASH

Cash and invested cash consisted of the following:

	December 31, 2012	December 31, 2011
Cash and cash equivalents:		
Cash on hand	$ 400	$ 400
NOW account	160,200	100
Money market accounts	559,828	62,992
Certificate of deposit	–	130,694
	$ 207,389	$ 254,493

	December 31, 2012	December 31, 2011
Assets limited as to use		
Certificate of deposit	$ 221,409	$ 221,221

Deposits

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

3. CASH AND INVESTED CASH (continued)

At December 31, 2012, the carrying amount of the Hospital's deposits, which approximates fair value, was $941,437 with the bank balances of such accounts being $973,208. Of the bank balances, $471,408 was secured by federal depository insurance and the remaining balance of $501,800 was covered by collateral held by the Hospital's custodial banks in joint custody in the name of the Hospital and its banks. The fair value of those pledged securities held by the Hospital's custodial banks was $631,794 at December 31, 2012.

The remaining carrying amount of the Hospital's cash and investments at December 31, 2012 consisted of cash on hand of $400.

Investment policies

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

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

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Hospital's policies provide that to the extent practicable, investments are matched with anticipated cash flows.

Assets whose use is limited

These assets consist of a certificate of deposit that has been designated by the Board of Trustees for use in the replacement of capital assets or for the acquisition of additional capital assets. The assets designated by the Board of Trustees can be utilized for other purposes at the discretion of the Board.

4. CONCENTRATIONS OF CREDIT RISK

The Hospital is a provider of health care services and is located in the City of Johnson, Kansas. The Hospital grants credit without collateral to its patients, most of whom are local area residents and some are insured under third-party payor agreements. The mix of receivables from patients and third-party payors is as follows:

	December 31, 2012	December 31, 2011
Medicare	$ 182,999	$ 130,309
Medicaid	46,758	55,604
Blue Cross	51,320	46,469
Other third-party payors	63,822	79,282
Patients	360,865	312,349
Gross accounts receivable	705,764	624,013
Less allowance for doubtful accounts	240,742	240,000
	$ 465,022	$ 384,013

5. CAPITAL ASSETS

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

2012	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	$ 14,930	$ –	$ –	$ –	$ 14,930
Construction in progress	8,834,296	1,717,551	–	(10,551,847)	–
Total capital assets not being depreciated:	8,849,226	1,717,551	–	(10,551,847)	14,930
Capital assets being depreciated:					
Land improvements	20,817	–	10,995	400,124	409,946
Building and fixed equipment	4,596,878	–	347,828	9,965,820	14,214,870
Movable equipment	1,443,676	269,893	333,192	185,903	1,566,280
Total capital assets being depreciated	6,061,371	269,893	692,015	10,551,847	16,191,096
Less accumulated depreciation for:					
Land improvements	19,210	36,726	10,995	–	44,941
Building and fixed equipment	1,409,838	887,505	245,972	–	2,051,371
Movable equipment	1,019,831	260,109	322,158	–	957,782
Total accumulated depreciation	2,448,879	1,184,340	579,125	–	3,054,094
Total capital assets being depreciated, net	3,612,492	(914,447)	112,890	10,551,847	13,137,002
Total capital assets, net	$12,461,718	$ 803,104	$ (112,890)	$ –	$13,151,932

2011	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	$ 14,930	$ –	$ –	$ –	$ 14,930
Construction in progress	2,171,476	9,490,118	–	(2,827,298)	8,834,296
Total capital assets not being depreciated:	2,186,406	9,490,118	–	(2,827,298)	8,849,226

5. CAPITAL ASSETS (continued)

	2011				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets being depreciated:					
Land improvements	32,716	–	11,899	–	20,817
Building and fixed equipment	2,666,936	–	897,356	2,827,298	4,596,878
Movable equipment	1,391,212	84,770	32,306	–	1,443,676
Total capital assets being depreciated	4,090,864	84,770	941,561	2,827,298	6,061,371
Less accumulated depreciation for:					
Land improvements	30,146	963	11,899	–	19,210
Building and fixed equipment	1,995,708	279,539	865,409	–	1,409,838
Movable equipment	838,421	213,716	32,306	–	1,019,831
Total accumulated depreciation	2,864,275	494,218	909,614	–	2,448,879
Total capital assets being depreciated, net	1,226,589	(409,448)	31,947	2,827,298	3,612,492
Total capital assets, net	$ 3,030,781	$ 9,080,670	$ 31,947	$ –	$ 12,461,718

6. LONG-TERM LIABILITIES

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

	2012				
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Capital lease obligations	$ 336,058	$ 185,100	$ 139,557	$ 381,601	$ 129,835
Compensated absences payable	164,026	91,589	87,724	167,891	90,661
	$ 500,084	$ 276,689	$ 227,281	$ 549,492	$ 220,496

6. LONG-TERM LIABILITIES (continued)

	2011				
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Capital lease obligations	$ 460,156	$ –	$ 124,098	$ 336,058	$ 115,177
Compensated absences payable	177,247	82,492	95,713	164,026	88,574
	$ 637,403	$ 82,492	$ 219,811	$ 500,084	$ 203,751

The Hospital leases certain equipment under capital lease agreements, including new leases of $185,100 and $-0- in 2012 and 2011, respectively. Interest incurred under the leases was $14,193 and $16,608 for the years ended December 31, 2012 and 2011, respectively.

These leases qualify as capital leases for accounting purposes and, accordingly, have been recorded at the present value of the minimum lease payments at the date of lease inception. The following is an analysis of the financial presentation of the capital leases:

	December 31, 2012	December 31, 2011
Movable equipment	$ 626,374	$ 606,774
Accumulated depreciation	363,784	357,775
	$ 262,590	$ 248,999

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

Year ending December 31,	
2013	$ 183,936
2014	180,902
2015	115,331
2016	83,131
2017	26,188
Total minimum lease payments	589,488
Less amount representing executory costs	186,957
Less amount representing interest	20,930
Present value of net minimum lease payments	381,601
Less current portion	129,835
Long-term portion	$ 251,766

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

7. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

- Level 1 – Quoted market prices are available in active markets for identical instruments as of the reporting date.

- Level 2 – Pricing inputs are observable for the instruments, either directly or indirectly, as of the reporting date, but are other than quoted prices in active markets as in Level 1.

- Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument.

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

Cash and cash equivalents – The carrying amounts reported in the statement of net position for cash and cash equivalents approximates its fair value.

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

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

Board designated assets– Consists of a certificate of deposit whose carrying amount reported in the statement of net position approximates its fair value.

Accounts payable, salaries and wages payable, compensated absences payable and other accrued expenses – The carrying amounts reported in the statement of net position for these approximates their fair value.

Capitalized lease obligations – The fair value of these liabilities is estimated using discounted cash flow analyses, based on the interest rate implicit in the lease agreements.

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

	December 31, 2012		December 31, 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 720,428	$ 720,428	$ 194,186	$ 194,186
Accounts receivable	465,022	465,022	384,013	384,013
Estimated third-party payor settlements	449,977	449,977	35989	359,789
Board designated assets	221,409	221,409	221,221	221,221
Accounts and other payables	354,866	354,866	310,023	310,023
Compensated absences payable	167,891	167,891	164,026	164,026
Capital lease obligations	381,601	381,601	336,058	336,058

8. OTHER POST EMPLOYMENT BENEFITS

As provided by K.S.A. 12-5040, the Hospital is required to allow retirees to participate in its group health insurance plan. While each retiree is required to pay the full amount of the applicable premium, conceptually, the Hospital would be subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy, if any, has not been quantified in these financial statements. The Hospital provides no other post-employment benefits, other than a retirement plan, for former employees.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Hospital makes health care benefits available to eligible former employees and their eligible dependents. Certain requirements are outlined by the federal government for this coverage.

9. PENSION PLAN

Plan description

The Hospital participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS, 611 S. Kansas Avenue, Suite 100, Topeka, Kansas 66603-3869.

Funding policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary for participants employed prior to July 1, 2009 and at 6% for new participants employed July 1, 2009 and thereafter. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate, established by statute, were as follows:

Period from January 1, 2012 to December 31, 2012	8.34%
Period from January 1, 2011 to December 31, 2011	7.74%

The Hospital's contributions to KPERS for the years ending December 31, 2012, 2011 and 2010 were $204,762, $171,026 and $151,584, respectively, equal to the statutory required contributions for each year.

10. BUILDING PROJECT

In March of 2010, the County voters approved the issuance of general obligation bonds to provide for the renovation and improvement of the existing facility. The bonds will be repaid from ad valorem taxes levied on property within the County.

Construction commenced in 2010 and was completed in phases with all phases substantially complete in early 2012. As project expenditures were made by the County for the project, they were contributed to and capitalized by the Hospital as construction in progress. As the project phases were completed, the construction in progress amounts were reclassified to appropriate land improvements, buildings and equipment accounts of the Hospital and are being depreciated over their estimated useful lives.

11. PRIOR PERIOD ADJUSTMENTS

During the year ended December 31, 2012 it was determined that certain transactions related to the building project (Note 10) had not been properly recorded on the financial statements for 2011 and 2010. Accordingly, the accompanying financial statements for 2011 have been restated to correct for these errors as follows:

	As Previously Reported	Net Adjustment	As Restated
Estimated third-party payor settlements	$ 285,000	$ 74,789	$ 359,789
Buildings and fixed equipment	1,769,580	2,827,298	4,596,878
Construction in progress	10,763,195	(1,928,899)	8,834,296
Accumulated depreciation	2,246,179	202,700	2,448,879
Net patient service revenue	3,593,578	74,789	3,668,367
Depreciation	291,518	202,700	494,218
Transfers from County	8,973,932	516,185	9,490,117
Net position – Invested in capital assets	11,429,960	695,699	12,125,659
Net position - Unrestricted	838,731	74,789	913,520

The effect of the restatements for 2010 was an increase in the change net position and the total net position has been increased $382,214 as of December 31, 2010.

ADDITIONAL INFORMATION

Stanton County Hospital

SCHEDULE OF PATIENT SERVICE REVENUE

	Year ended December 31, 2012			Year ended December 31, 2011		
	Inpatient	Outpatient	Total	Inpatient	Outpatient	Total
Nursing service	$ 362,606	$ –	$ 362,606	$ 253,195	$ –	$ 253,195
Nursery	18,500	–	18,500	9,500	–	9,500
Operating room	–	34,361	34,361	–	55,140	55,140
Long-term care	1,081,402	–	1,081,402	773,805	–	773,805
Delivery room	95,600	5,000	100,600	29,400	2,800	32,200
Anesthesiology	–	–	–	–	10	10
Radiology	48,180	694,088	742,268	25,712	567,261	592,973
Laboratory	71,511	638,467	709,978	39,010	455,832	494,842
Physical therapy	64,950	531,900	596,850	29,044	425,536	454,580
Electrocardiology	2,490	30,644	33,134	2,575	17,612	20,187
Medical supplies	65,779	44,075	109,854	47,202	31,355	78,557
Pharmacy	90,319	148,153	238,472	117,737	88,300	206,037
Emergency room	2,880	251,845	254,725	–	247,280	247,280
Observation	5,490	386,236	391,726	60	204,690	204,750
Clinic	–	501,321	501,321	–	551,074	551,074
Gross patient service revenue	$ 1,909,707	$ 3,266,090	5,175,797	$ 1,327,240	$ 2,646,890	3,974,130
Contractual adjustments			(237,106)			(181,820)
Charity care			(29,975)			(51,555)
Provision for bad debts			(75,033)			(72,388)
Net patient service revenue			$ 4,833,683			$ 3,668,367

Stanton County Hospital.

SCHEDULE OF OPERATING EXPENSES BY FUNCTIONAL DIVISION

Department	Year ended December 31, 2012						
	Salaries and Wages	Employee Benefits	Purchased Services	Supplies and Other	Depreciation and Amortization	Total	Percent of total operating expenses
Routine service:							
Nursing service	$ 485,226	$ –	$ 26,717	$ 90,004	$ –	$ 601,947	8.74 %
Long-term care	679,598	–	16,611	170,377	–	866,586	12.59
	1,164,824	–	43,328	260,381	–	1,468,533	21.33
Ancillary services:							
Operating & recovery rooms	1,136	–	–	2,451	–	3,587	0.05
Delivery room	7,703	–	–	6,707	–	14,410	0.21
Radiology	80,597	–	75,671	55,522	–	211,790	3.08
Laboratory	74,036	–	46,397	146,326	–	266,759	3.87
Physical therapy	122,313	–	21,374	33,819	–	177,506	2.58
EKG	–	–	–	744	–	744	0.01
Medical supplies	22,544	–	–	48,218	–	70,762	1.03
Pharmacy	6,957	–	12,000	109,553	–	128,510	1.87
Emergency room	1,727	–	107,575	12,097	–	121,399	1.76
Clinic	578,342	–	31,109	120,974	–	730,425	10.61
Social Services	24,596	–	808	383	–	25,787	0.37
	919,951	–	294,934	536,794	–	1,751,679	25.44
General services:							
Nursing administration	44,046	–	–	–	–	44,046	0.64
Operation of plant	99,172	–	34,412	220,124	–	353,708	5.14
Laundry	23,345	–	–	8,961	–	32,306	0.47
Housekeeping	75,516	–	950	30,055	–	106,521	1.55
Dietary	151,375	–	4,971	109,187	–	265,533	3.86
Medical records	32,688	–	2,550	3,367	–	38,605	0.56
Administration	370,710	–	65,505	399,501	–	835,716	12.14
Employee benefits	–	804,040	–	–	–	804,040	11.68
	796,852	804,040	108,388	771,195	–	2,480,475	36.03
Depreciation and amortization	–	–	–	–	1,184,340	1,184,340	17.20
Total operating expenses	$ 2,881,627	$ 804,040	446,650	$ 1,568,370	$ 1,184,340	$ 6,885,027	100.00 %

Department	Salaries and Wages		Employee Benefits		Purchased Services		Supplies and Other		Depreciation and Amortization		Total	Percent of total operating expenses	
					Year ended December 31, 2011								
Routine service:													
Nursing service	$	433,289	$	–	23,438	$	25,791	$	–	$	482,518	9.06	%
Long-term care		708,436		–	24,103		52,451		–		784,990	14.74	
		1,141,725		–	47,541		78,242		–		1,267,508	23.80	
Ancillary services:													
Operating & recovery rooms		5,096		–	–		19,463		–		24,559	0.46	
Delivery room		9,338		–	–		2,007		–		11,345	0.21	
Radiology		68,773		–	53,422		49,810		–		172,005	3.23	
Laboratory		70,622		–	37,907		106,429		–		214,958	4.04	
Physical therapy		122,064		–	22,406		11,156		–		155,626	2.92	
EKG		–		–	–		273		–		273	0.01	
Medical supplies		22,642		–	–		34,685		–		57,327	1.08	
Pharmacy		1,618		–	12,000		55,289		–		68,907	1.29	
Emergency room		5,909		–	114,990		15,913		–		136,812	2.57	
Clinic		502,599		–	36,662		54,613		–		593,874	11.15	
Social Services		23,835		–	1,900		2,220		–		27,955	0.53	
		832,496		–	279,287		351,858		–		1,463,641	27.49	
General services:													
Nursing administration		54,751		–	–		1,015		–		55,766	1.05	
Operation of plant		98,666		–	17,659		170,514		–		286,839	5.39	
Laundry		7,604		–	–		4,746		–		12,350	0.23	
Housekeeping		55,330		–	–		13,589		–		68,919	1.29	
Dietary		140,936		–	4,801		101,671		–		247,408	4.65	
Medical records		46,893		–	1,642		475		–		49,010	0.92	
Administration		295,603		–	102,279		215,684		–		613,566	11.52	
Employee benefits		–		765,561	–		–		–		765,561	14.38	
		699,783		765,561	126,381		507,694		–		2,099,419	39.43	
Depreciation and amortization		–		–	–		–		494,218		494,218	9.28	
Total operating expenses	$	2,674,004	$	765,561	453,209	$	937,794	$	494,218	$	5,324,786	100.00	%