SCOTT COUNTY HOSPITAL, INC.

FINANCIAL STATEMENTS

and

ADDITIONAL INFORMATION

with

INDEPENDENT AUDITOR'S REPORT

YEARS ENDED JUNE 30, 2012 AND 2011

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

CONTENTS

George, Bowerman & Noel, P.A.

Certified Public Accountants
Business Consultants
Tax Advisors

Epic Center • 301 N. Main, Suite 1350 • Wichita, Kansas 67202 • Telephone (316) 262-6277 • Fax (316) 265-6150

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Scott County Hospital, Inc.
Scott City, Kansas

We have audited the financial statements, as listed in the table of contents, of Scott County Hospital, Inc., a component unit of Scott County, Kansas, as of June 30, 2012 and 2011, and 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 audits 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 Scott County Hospital, Inc. as of June 30, 2012 and 2011 and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 2 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

George, Bowerman & Noel, P.A.

Wichita, Kansas
January 25, 2013

SCOTT COUNTY HOSPITAL, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Scott County Hospital, Inc.'s (Hospital's) financial performance provides an overview of the Hospital's financial activities for the fiscal years ended June 30, 2012 and 2011. Please read it in conjunction with the Hospital's financial statements, which begin on page 7.

Financial Highlights

- Current assets increased by $828,447 or 14% in 2012 and by $700,043 or 13% in 2011.
- Long-term debt obligations decreased by $339,828 or 100% in 2012 and by $24,391 or 7% in 2011.
- The Hospital's net assets increased by $13,507,779 or 77% in 2012 and by $10,728,953 or 149% in 2011.
- The Hospital's net patient service revenue increased by $1,457,570 or 13% in 2012 and by $462,738 or 4% in 2011.
- Contractual allowances and bad debts reduced gross patient service revenue by $6,088,786 or 32% of gross patient service revenue in 2012 and by $5,773,359 or 33% of gross patient service revenue in 2011.
- The Hospital reported an operating loss of $259,472 and $207,382 in 2012 and 2011, respectively.
- The Hospital reported a loss on disposal of capital assets of $619,325 in 2012.

Using This Annual Report

The Hospital's financial statements consist of three statements—a Balance Sheet; a Statement of Revenues, Expenses, and Changes in Net Assets; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by contributors, grantors, or enabling legislation.

Financial Statements

The Hospital's financial statements are prepared using proprietary fund accounting that focuses on the determination of changes in net assets, financial position and cash flows in a manner similar to private-sector businesses. The basic financial statements include a *balance sheet*, *statement of revenue, expenses and changes in net assets*, and *statement of cash flows*, followed by notes to the financial statements and schedules of certain additional information. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

The *statement of revenues, expenses and changes in net assets* presents both the operating revenues and expenses and nonoperating revenues and expenses along with other changes in net assets 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.

Financial Position

The Hospital's net assets are the difference between its assets and liabilities reported in the Balance Sheets on pages 7 and 8. The Hospital's net assets increased in each of the past three years as you can see from the following table.

	June 30,		
	2012	2011	2010
Assets:			
Current assets	$ 6,743,990	$ 5,915,543	$ 5,215,500
Capital assets, net	25,522,676	12,978,985	2,996,154
Other noncurrent assets	136,776	134,812	545,648
Total assets	$ 32,403,442	$ 19,029,340	$ 8,757,302
Liabilities:			
Long-term liabilities	$ –	$ 313,817	$ 339,828
Other liabilities	1,375,644	1,195,504	1,214,178
Total liabilities	$ 1,375,644	$ 1,509,321	$ 1,554,006
Net assets:			
Invested in capital assets, net	$ 25,522,676	$ 12,639,157	$ 2,631,935
Restricted	41,574	58,558	60,578
Unrestricted	5,463,548	4,822,304	4,510,783
Total net assets	$ 31,027,798	$ 17,520,019	$ 7,203,296

Recent Financial Performance

The schedule below is a summary of the Hospital's revenues, expenses and changes in net assets for the past three years.

	Year ended June 30,		
	2012	2011	2010
Operating revenue	$ 13,339,673	$ 12,009,385	$ 11,314,125
Operating expenses:			
Salaries	7,104,614	6,513,828	6,249,951
Employee benefits	1,608,208	1,415,184	1,291,332
Supplies and other	4,143,670	3,857,574	3,299,615
Depreciation and amortization	742,653	430,181	628,407
Total operating expenses	13,599,145	12,216,767	11,469,305
Operating income (loss)	(259,472)	(207,382)	(155,180)

	Year ended June 30,		
	2012	2011	2010
Nonoperating revenues (expenses):			
Taxes	489,408	638,891	658,735
Investment income	30,066	31,171	30,563
Interest expense	(16,027)	(22,779)	(30,636)
Grants and contributions – Noncapital	95,071	55,748	41,190
Gain (loss) on sale of capital assets	(619,325)	–	5,400
Total nonoperating revenues	(20,807)	703,031	705,252
Excess of revenues over (under) expenses before capital grants and contributions	(280,279)	495,649	550,072
Capital grants and contributions	–	–	49,578
Transfers from Scott County for capital assets	13,788,058	10,233,304	827,212
Increase in net assets before cumulative change in accounting principle	13,507,779	10,728,953	1,426,862
Cumulative change in accounting principle	–	(412,230)	–
Increase in net assets	$ 13,507,779	$ 10,316,723	$ 1,426,862
Net assets at end of year	$ 31,027,798	$ 17,520,019	$ 7,203,296

Operating Income (Loss)

The first component of the overall change in the Hospital's net assets is its operating income (loss)—generally, the difference between net patient service and the expenses incurred to perform those services. The Hospital reported an operating loss of $259,472 and $207,382 in 2012 and 2011, respectively.

The primary components of the operating loss in 2012 are:

- An increase in net patient service revenue of $1,457,570 or 13%.

  The increase is primarily related to increase in service levels in the swing bed department and a majority of ancillary service departments.

- Salary and benefit expense increased by $590,786 and $193,024 or 9% and 14%, respectively.

  The increase in salary expense was due, in part, to the additional staff time related to the relocation to the new hospital facility in 2012. The increase in benefit expense is due to the increase in salary expense and an increase in employee health insurance claims under the Hospital's self-funded insurance plan of $152,506 (Note 8).

- An increase in deprecation expense of $312,472 or 73%.

  Depreciation expense increased as a result of the completion of the new hospital facility in April of 2012.

The primary components of the operating loss in 2011 are:

- The increase in net patient service revenue of over 4% was offset primarily by increases in salaries of 4%, employee benefits of 10% and supplies and other costs of 17%.

- The increase in contractual adjustments and bad debt expense as a percentage of gross patient service revenue negatively impacted the increase in gross patient service revenue.

The rate of healthcare inflation has a direct effect on the cost of services provided by the Hospital. A component of the Hospital's costs are expenses for medical supplies and prescription drugs. Some of the major factors contributing to the increased medical supply and drug costs include the introduction of new drugs that cannot be obtained in generic form, and changes in therapeutic mix.

Nonoperating Revenues and Expenses

Net nonoperating revenues decreased in 2012 primarily due to the decrease in tax revenues of approximately $150,000. Also, upon completion of the new facility in 2012, the Hospital returned the old hospital building to Scott County and recorded a loss on disposal of capital assets of $619,325.

The Hospital's Cash Flows

Changes in the Hospital's cash flows are consistent with changes in operating income and losses and nonoperating revenues and expenses, discussed earlier. The Hospital's cash flows decreased significantly due to the increase in patient and third-party payor receivables.

Capital Assets

At June 30, 2012, the Hospital had $25,522,676 invested in capital assets, net of accumulated depreciation, as detailed in Note 7 to the financial statements. In 2012, the Hospital had expenditures for property and equipment of approximately $14,252,781, including approximately $14,072,383 incurred for the new hospital facility. In September 2009, voters of Scott County approved the issuance of general obligation bonds and a 1% county health care services retailer's sales tax to provide funds to construct and equip a new replacement hospital facility. Construction began in 2010 and was completed in the spring 2012.

Debt

At June 30, 2011, the Hospital had a capitalized lease obligation outstanding of approximately $340,000 related to the clinic building lease. During 2012, the Hospital made principal payments of $19,351 and upon completion of the new hospital facility, turned possession of the clinic facility over to Scott County for their use, who in turn retired the remaining balance of the lease obligation in full.

Other Economic Factors

Management expects the current economic conditions to continue over the next year.

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:

- Risks related to Medicare and Medicaid reimbursement. 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.

- Employment and labor issues. 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 within the state, is an issue that is causing salary and benefits costs to increase at significant rates.

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

- Increasing numbers of uninsured and underinsured patients. Due to the significant increases and high cost of healthcare insurance premiums in recent years, increasing numbers of patients of the Hospital 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 Hospital Administration Department, at Scott County Hospital, Inc., 301 Albert Avenue, Scott City, Kansas 67871.

SCOTT COUNTY HOSPITAL, INC.

BALANCE SHEETS

ASSETS

	June 30, 2012	June 30, 2011
Current assets:		
Cash (Notes 1 and 3)	$ 2,962,883	$ 3,137,165
Assets limited as to use (Note 3)	41,574	58,558
Accounts receivable, net of allowance for doubtful accounts of $556,222 in 2012 and $390,843 in 2011 (Notes 1 and 4)	2,778,211	2,039,416
Employee receivable	15,342	18,086
Estimated third-party payor settlements (Note 2)	382,991	131,210
Inventories (Note 1)	437,163	399,755
Prepaid expenses and other	125,826	131,353
Total current assets	6,743,990	5,915,543
Other assets:		
Employee receivable	136,776	134,812
Property and equipment, at cost (Notes 1, 7 and 11):		
Land	195,000	56,273
Land improvements	336,475	272,405
Buildings	11,235,235	3,256,030
Fixed equipment	11,402,492	1,549,294
Movable equipment	5,221,774	5,932,970
Construction in progress	–	11,069,654
Total property and equipment	28,390,976	22,136,626
Less accumulated depreciation	2,868,300	9,157,641
Property and equipment, net of accumulated depreciation	25,522,676	12,978,985
Total assets	$ 32,403,442	$ 19,029,340

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

LIABILITIES AND NET ASSETS

	June 30, 2012	June 30, 2011
Current liabilities:		
Accounts payable	$ 452,952	$ 377,027
Salaries payable	448,696	381,388
Compensated absences payable (Note 1)	293,719	258,591
Payroll taxes payable	180,277	152,487
Current portion of long-term debt (Note 8)	–	26,011
Total current liabilities	1,375,644	1,195,504
Long-term debt (Note 8)	–	313,817
Total liabilities	1,375,644	1,509,321
Net assets (Notes 1 and 3):		
Invested in capital assets, net of related debt	25,522,676	12,639,157
Restricted for capital asset acquisition	–	47,578
Restricted for specific operating activities	41,574	10,980
Unrestricted	5,463,548	4,822,304
Total net assets	31,027,798	17,520,019
Total liabilities and net assets	$ 32,403,442	$ 19,029,340

SCOTT COUNTY HOSPITAL, INC.

STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS

	Year ended June 30, 2012	Year ended June 30, 2011
Operating revenues:		
Net patient service revenue (Note 1)	$ 13,090,841	$ 11,633,271
Outside services	147,897	268,028
Other	100,935	108,086
Total operating revenue	13,339,673	12,009,385
Operating expenses:		
Salaries	7,104,614	6,513,828
Employee benefits	1,608,208	1,415,184
Supplies and other	4,143,670	3,857,574
Depreciation and amortization (Note 1)	742,653	430,181
Total operating expenses	13,599,145	12,216,767
Operating loss	(259,472)	(207,382)
Nonoperating revenues (expenses):		
Tax revenues	489,408	638,891
Investment income	30,066	31,171
Interest expense	(16,027)	(22,779)
Noncapital grants and contributions	95,071	55,748
Loss on disposal of capital assets	(619,325)	–
Total nonoperating revenues	(20,807)	703,031
Excess of revenues over (under) expenses before transfers from County	(280,279)	495,649
Transfers from Scott County for capital assets (Note 11)	13,788,058	10,233,304
Increase in net assets before cumulative effect of change in accounting principle	13,507,779	10,728,953
Cumulative effect of change in accounting principle (Note 12)	–	(412,230)
Increase in net assets	13,507,779	10,316,723
Net assets at beginning of year	17,520,019	7,203,296
Net assets at end of year	$ 31,027,798	$ 17,520,019

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

SCOTT COUNTY HOSPITAL, INC.

STATEMENTS OF CASH FLOWS

	Year ended June 30,	
	2012	2011
Cash flows from operating activities:		
Receipts from and on behalf of patients	$ 12,100,265	$ 11,396,844
Payments to suppliers and contractors	(4,099,626)	(3,974,016)
Payments to employees	(7,002,178)	(6,465,284)
Payments for employee benefits	(1,580,418)	(1,410,279)
Other receipts and payments, net	248,832	376,114
Net cash flows used by operating activities	(333,125)	(76,621)
Cash flows from noncapital financing activities:		
Property taxes for operations	489,408	638,891
Grants and contributions	95,071	55,748
Net cash flows provided by noncapital financing activities	584,479	694,639
Cash flows from capital and related financing activities:		
Purchases of property and equipment	(14,252,781)	(10,413,012)
Grants and contributions for capital assets	13,788,058	10,233,304
Proceeds from sale of capital assets	26,635	-
Principal payments on long-term debt	(19,351)	(24,391)
Interest payments on long-term debt	(16,027)	(22,779)
Net cash flows used by capital and related financing activities	(473,466)	(226,878)
Cash flows from investing activities:		
Net change in employee receivable	780	(8,302)
Investment income	30,066	31,171
Net cash flows provided by investing activities	80,846	22,869
Increase in cash and cash equivalents	(191,266)	414,009
Cash and cash equivalents at beginning of year	3,195,723	2,781,714
Cash and cash equivalents at end of year	$ 3,004,457	$ 3,195,723
Reconciliation of cash and cash equivalents to balance sheets:		
Cash and cash equivalents in current assets	$ 2,962,883	$ 3,137,165
Cash and cash equivalents in assets limited as to use	41,574	58,558
Total cash and cash equivalents	$ 3,004,457	$ 3,195,723

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

SCOTT COUNTY HOSPITAL, INC.

STATEMENTS OF CASH FLOWS - continued

	Year ended June 30, 2012	Year ended June 30, 2011
Reconciliation of operating income (loss) to net cash used by operating activities:		
Operating loss	$ (259,472)	$ (207,382)
Adjustments to reconcile operating loss to net cash flows used in operating activities:		
Depreciation and amortization	742,653	430,181
Bad debt expense	479,329	395,190
Net (increases) decreases in current assets:		
Accounts receivable	(1,218,124)	(903,120)
Inventories	(37,408)	(31,992)
Estimated third-party payor settlements	(251,781)	271,503
Other	5,527	(10,707)
Net increases (decreases) in current liabilities:		
Accounts payable	75,925	(73,743)
Salaries and wages payable	67,308	25,905
Compensated absences payable	35,128	22,639
Payroll taxes payable	27,790	4,905
Net cash used by operating activities	$ (333,125)	$ (76,621)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Organization and business activity

The Hospital is exempt from Federal income taxes under Section 501(c)(3) and is owned by Scott County, Kansas. The Hospital provides acute care, swing-bed, home health, rural health clinic, and outpatient services. The Board of County Commissioners appoints the members of the Board of Directors. For this reason, the Hospital is considered to be a component unit of Scott County, Kansas.

Enterprise fund accounting

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

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

Operating revenues and expenses

The Hospital's statement of revenues, expenses, and changes in net assets 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.

Cash and cash equivalents

For purposes of the statement of cash flows, the Hospital considers all highly liquid debt instruments with an original maturity of three months or less to be cash and cash equivalents.

1. 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 payers, patients and others. The Hospital provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information, payer mix trends, and existing economic conditions. As a service to patients, the Hospital bills third-party payers directly and bills the patient when the patient's liability is determined. Patient accounts receivable are generally due in full when billed. 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 are stated at cost as 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:

	Estimated useful lives
Land improvements	10 - 28 years
Buildings	15 - 50 years
Fixed equipment	10 - 30 years
Movable equipment	5 - 21 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 prospectively determined rates per discharge, reimbursed costs, per diem payments, and discounted charges. 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. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 based on current poverty level guidelines. 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 $64,646 and $126,765 of charity care for the years ended June 30, 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.

Compensated absences

Employees of the Hospital are entitled to paid time off depending on length of service and whether they are full or part time. Upon resignation, termination or retirement from service with the Hospital, employees are entitled to payment for all accrued paid time off, up to the allowable maximum. The Hospital accrues the paid time off benefits as earned.

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 non-operating revenue. Amounts restricted to capital acquisitions are reported after non-operating 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 assets

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

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.

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.

The Hospital has implemented a partially self-funded insurance plan to administer its employee health insurance benefits. Liabilities under this plan are estimated based on settled claims, frequency of claims and other economic factors. Claims incurred, but not reported, are recorded as a portion of the estimated liability.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications

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

Subsequent events

Subsequent events have been evaluated through January 24, 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 payers 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 fiscal intermediary. The Hospital's classification of patients under the Medicare program and appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital. The Hospital's Medicare cost reports have been reviewed by the Medicare fiscal intermediary through June 30, 2010.

- **Medicaid** – Inpatient acute and outpatient services rendered to program beneficiaries are reimbursed under a cost reimbursement methodology. 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 Medicaid fiscal intermediary. Inpatient long-term care services are paid at prospectively determined per diem rates that are based on the patient's acuity.

Approximately 53% and 52% of net patient service revenue is from participation in the Medicare program for the years ended June 30, 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.

The Hospital has also entered into payment agreements with certain commercial insurance carriers and other third-party payer 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 ASSETS WHOSE USE IS LIMITED

Cash and assets whose use is limited consisted of the following:

	June 30,	
	2012	2011
Unrestricted:		
Cash on hand	$ 590	$ 490
Demand deposit accounts	1,698,522	1,903,030
Money market accounts	44,291	109,022
Savings accounts	1,219,480	1,124,623
	2,962,883	3,137,165
Assets whose use is limited:		
Cash on hand	1,690	1,000
Demand deposit accounts	–	47,578
Money market accounts	39,884	9,980
	41,574	58,558
	$ 3,004,457	$ 3,195,723

3. CASH AND ASSETS WHOSE USE IS LIMITED (continued)

Assets whose use is limited are restricted for the following purposes:

	June 30, 2012	June 30, 2011
Emergency medical services	$ 14,198	$ 8,446
Indigent care	9,756	2,534
Equipment	–	47,578
Other	17,620	–
	$ 41,574	$ 58,558

Assets released from restrictions were as follows:

	Year ended June 30, 2012	Year ended June 30, 2011
Emergency medical services	$ 6,798	$ 5,923
Hospital services and equipment	64,535	29,674
Indigent care	9,566	11,099
	$ 80,899	$ 46,696

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Hospital's deposits may not be returned or the Hospital will not be able to recover collateral securities in the possession of an outside party. 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.

The Hospital's cash and investments at June 30, 2012 consisted of cash on hand, demand deposit, money market, and savings accounts. At year end, the carrying amount of the Hospital's deposits was $3,002,177 with the bank balances of such accounts being $3,005,120. Of the bank balances, $250,000 was secured by federal depository insurance and $2,755,120 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 $4,077,648 at June 30, 2012.

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 Directors 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.

4. CONCENTRATIONS OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of gross accounts receivable from patients and third-party payors was as follows:

	June 30,	
	2012	2011
Medicare	50%	45%
Medicaid	2	3
Blue Cross	17	23
Commercial	13	10
Self pay	18	19
	100%	100%

5. EMPLOYEE HEALTH CLAIMS

Substantially all of the Hospital's employees and their dependents are eligible to participate in the Hospital's employee health, pharmacy and dental insurance plans. The Hospital is self-insured for health, pharmacy and dental claims of participating employees and dependents up to per participant annual aggregate amounts of $8,500, $5,000 and $1,000 for health, pharmacy and dental, respectively. Commercial stop-loss insurance coverage is purchased for health claims in excess of the aggregate annual amount. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Hospital's estimate will change by a material amount in the near term.

Activity in the Hospital's accrued employee health claims liability during 2012 and 2011 is summarized as follows:

	Year ended June 30,	
	2012	2011
Balance, beginning of year	$ 49,781	$ 49,026
Current year claims incurred and changes in estimates for claims incurred in prior years:		
Employer portion	632,959	480,453
Employee portion	198,982	166,648
Claims and expenses paid	(800,032)	(646,346)
Balance, end of year	$ 81,690	$ 49,781

6. PENSION PLAN

The Hospital maintained a mandatory contributory pension plan for all eligible employees from July 1, 2008 to December 31, 2008. Employer contributions were computed at the rate of 4.5% on the first 20% of the social security wage base (SSWB) of annual compensation plus 9.0% of annual compensation in excess of the first 20% of the SSWB. Employee contributions were computed at the rate of 2.5% on the first 20% of the social security wage base (SSWB) of annual compensation plus 5.0% of annual compensation in excess of the first 20% of the SSWB. Benefits were funded by an annuity contract with an insurance company. The plan was funded for past service on an installment basis over the estimated remaining duration of employment from January 1, 1976 to the employee's normal retirement date.

6. PENSION PLAN (continued)

Effective January 1, 2009 the pension plan was merged into a newly established retirement plan under Section 401(k) of the Internal Revenue Code. Under the plan, the Hospital is required to contribute three percent of eligible employees compensation for the plan year. The plan also authorizes a discretionary profit sharing contribution the amount of which is determined at the sole discretion of the Hospital's Board of Directors on an annual basis. Benefits vest after two years of service with 100% vesting after six years of service.

The total cost of the plan was $363,213 and $345,812 for 2012 and 2011, respectively.

7. CAPITAL ASSETS

Capital asset additions, disposals, and balances for the years ended June 30, 2012 and 2011 were as follows:

	Balance At June 30, 2011	Additions	Disposals	Transfers	Balance At June 30, 2012
Capital assets not being depreciated:					
Land	$ 56,273	$ –	$ (56,273)	$ 195,000	$ 195,000
Construction in progress	11,069,654	14,072,383	–	(25,142,037)	–
Total capital assets not being depreciated	11,125,927	14,072,383	(56,273)	(24,947,037)	195,000
Capital assets being depreciated:					
Land improvements	272,405	–	(272,405)	336,475	336,475
Buildings	3,256,030	–	(2,927,770)	10,906,975	11,235,235
Fixed equipment	1,549,294	–	(1,496,886)	11,350,084	11,402,492
Movable equipment	5,932,970	180,398	(3,245,097)	2,353,503	5,221,774
Total capital assets being depreciated	11,010,699	180,398	(7,942,158)	24,947,037	28,195,976
Less accumulated depreciation for:					
Land improvements	239,802	14,339	(243,845)	–	10,296
Buildings	2,353,924	211,575	(2,306,256)	–	259,243
Fixed equipment	1,400,968	198,250	(1,379,625)	–	219,593
Movable equipment	5,162,947	318,489	(3,102,268)	–	2,379,168
Total accumulated depreciation	9,157,641	742,653	(7,031,994)	–	2,868,300
Total capital assets being depreciated, net	1,853,058	(562,255)	(910,164)	24,947,037	25,327,676
Total capital assets, net	$ 12,978,985	$ 13,510,128	$ (966,437)	$ –	$ 25,522,676

7. CAPITAL ASSETS (continued)

	Balance At June 30, 2010	Additions	Disposals	Transfers	Balance At June 30, 2011
Capital assets not being depreciated:					
Land	$ 56,273	$ –	$ –	$ –	$ 56,273
Construction in progress	852,839	10,239,815	–	(23,000)	11,069,654
Total capital assets not being depreciated	909,112	10,239,815	–	(23,000)	11,125,927
Capital assets being depreciated:					
Land improvements	272,405	–	–	–	272,405
Buildings	3,256,030	–	–	–	3,256,030
Fixed equipment	1,526,619	22,675	–	–	1,549,294
Movable equipment	5,759,448	150,522	–	23,000	5,932,970
Total capital assets being depreciated	10,814,502	173,197	–	23,000	11,010,699
Less accumulated depreciation for:					
Land improvements	230,865	8,937	–	–	239,802
Buildings	2,244,600	109,324	–	–	2,353,924
Fixed equipment	1,367,681	33,287	–	–	1,400,968
Movable equipment	4,884,314	278,633	–	–	5,162,947
Total accumulated depreciation	8,727,460	430,181	–	–	9,157,641
Total capital assets being depreciated, net	2,087,042	(256,984)	–	23,000	1,853,058
Total capital assets, net	$ 2,996,154	$ 9,982,831	$ –	$ –	$ 12,978,985

8. LONG-TERM DEBT

The following is a summary of changes in long-term debt for the years ended June 30, 2012 and 2011:

	Balance At June 30, 2011	Additions	Reductions	Balance At June 30, 2012	Amounts Due Within One Year
Capital lease obligations	$ 339,828	$ –	$ 339,828	$ –	$ –

	Balance At June 30, 2010	Additions	Reductions	Balance At June 30, 2011	Amounts Due Within One Year
Capital lease obligations	$ 364,219	$ –	$ 24,391	$ 339,828	$ 26,011

The Hospital leased certain clinic facilities and equipment under a capital lease. Interest incurred under the lease was $16,027 and $22,779 for the years ended June 30, 2012 and 2011, respectively. During 2012, the Hospital made principal payments of $19,351 and upon completion of the new hospital facility (Note 11), the Hospital turned possession of the clinic facility over to Scott County for their use, who in turn retired the remaining balance of the lease obligation in full. The following is an analysis of the financial presentation of the capital lease:

	June 30, 2012	June 30, 2011
Buildings	$ –	$ 358,813
Fixed equipment	–	118,927
Movable equipment	–	43,308
	–	521,048
Less accumulated depreciation	–	273,716
	$ –	$ 247,332

9. OTHER POST EMPLOYMENT BENEFITS

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

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

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

Long-term debt – The fair value of the Hospital's long-term debt is estimated using discounted cash flow analyses, based on the Hospital's current incremental borrowing rates for similar types of borrowing arrangements.

The carrying amounts and fair value of the Hospital's financial instruments at June 30, 2012 and 2011 are as follows:

	June 30, 2012		June 30, 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 3,004,457	$ 3,004,457	$ 3,195,723	$ 3,195,723
Accounts and other receivables	2,930,329	2,930,329	2,192,314	2,192,314
Estimated third-party payor settlements	382,991	382,991	131,210	131,210
Accounts and other payables	1,375,644	1,375,644	1,169,493	1,169,493
Long-term debt	–	–	339,828	379,171

11. NEW FACILITY PROJECT

In September 2009, the voters of Scott County, Kansas approved the issuance of general obligation bonds to construct, furnish, and equip a new hospital facility. The project is estimated to cost approximately twenty-four million dollars. The bonds are secured by and payable from ad valorem taxes and in part from the receipts derived from a one percent County health care services retailer's sales tax.

11. NEW FACILITY PROJECT (continued)

Construction for the project began in 2010 and was completed in April 2012. As capital expenditures were made by the County for the project, they were contributed to and capitalized by the Hospital as construction in progress. When the project was complete and placed in service, the construction in progress amounts were reclassified to appropriate building and equipment accounts of the Hospital and are being depreciated over their estimated useful lives.

12. CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2010, the Hospital adopted FASB ASC 350, *Intangibles–Goodwill and Other* and changed its method of reporting goodwill. Prior to July 1, 2010, the Hospital amortized the initially recognized goodwill on a straight-line basis over a twenty-five year life. Effective July 1, 2010 goodwill is carried at fair value as determined by an impairment test prescribed by FASB ASC 350 in order to better reflect the underlying economic value of the goodwill asset. As a result of the change in accounting principle, an impairment loss of $412,230 was recognized in the statement of revenue, expenses, and changes in net assets for 2011.

ADDITIONAL INFORMATION

SCOTT COUNTY HOSPITAL, INC.

PATIENT SERVICE REVENUE

	Year ended June 30,				
	2012				2011
	Inpatient	Outpatient	Swing Bed	Total	Total
Routine service	$ 1,005,610	$ 346,705	$ 999,026	$ 2,351,341	$ 2,001,162
Nursery	84,700	–	–	84,700	89,378
Operating room	226,675	925,904	8,385	1,160,964	1,026,012
Delivery room	59,618	–	–	59,618	42,605
Anesthesiology	83,964	283,027	3,927	370,918	314,385
Radiology	38,632	460,988	20,408	520,028	462,758
MRI	16,032	413,024	2,580	431,636	358,718
CT scan	94,346	1,122,626	20,010	1,236,982	1,210,264
Mammography	–	119,712	–	119,712	113,692
Nuclear medicine	–	276,204	2,892	279,096	260,582
Ultrasound	8,041	306,949	636	315,626	307,076
Laboratory	252,425	2,225,305	144,671	2,622,401	2,393,365
Blood administration	41,059	33,725	12,661	87,445	135,107
Respiratory therapy	321,128	72,417	348,237	741,782	633,443
Physical therapy	25,862	570,221	127,176	723,259	579,810
Occupational therapy	14,467	85,558	69,277	169,302	137,329
Speech therapy	3,194	16,066	6,770	26,030	3,080
Electrocardiology	93,096	595,117	17,696	705,909	557,513
Medical supplies	239,873	304,959	136,606	681,438	626,100
Pharmacy	443,591	1,123,066	584,551	2,151,208	2,051,106
Treatment room	3,449	320,324	4,428	328,201	335,839
Specialty clinics	154	217,958	573	218,685	172,714
Emergency room	18,395	567,101	–	585,496	530,362
Clinic	–	2,371,390	–	2,371,390	2,308,415
Cardiac rehabilitation	–	158,430	–	158,430	179,782
Durable medical equipment	–	243,399	–	243,399	202,400
Home health	–	117,529	624	118,153	134,674
Ambulance	20,666	281,101	14,711	316,478	238,959
	$ 3,094,977	$ 13,558,805	$ 2,525,845	19,179,627	17,406,630
Contractual adjustments				(5,518,391)	(5,203,762)
Charity care				(91,066)	(174,407)
Bad debts				(479,329)	(395,190)
Net patient service revenue				$ 13,090,841	$ 11,633,271

SCOTT COUNTY HOSPITAL, INC.
OPERATING EXPENSES BY FUNCTIONAL DIVISION

	Year ended June 30, 2012					
	Salaries	Employee Benefits	Supplies and other	Deprec-iation	Total	% of total operating expenses
Routine services:						
Acute and swing bed	$ 1,280,050	$ 298,823	$ 105,059	$ 45,180	$ 1,729,112	12.71%
Nursery	7,979	381	1,594	865	10,819	.08
Total routine services	1,288,029	229,204	106,653	46,045	1,739,931	12.79
Ancillary services:						
Operating room	189,018	32,322	236,826	52,299	510,465	3.75
Delivery room	24,001	1,078	3,931	5,008	34,018	.25
Anesthesia	338,806	64,741	16,931	1,288	421,766	3.10
Radiology	158,254	35,292	33,893	71,645	299,084	2.20
MRI	1,098	3	110,736	–	111,837	.82
CT scan	47,065	975	106,523	3,453	158,016	1.16
Mammography	30,985	683	12,296	1,399	45,363	.33
Nuclear medicine	17,200	213	121,566	–	138,979	1.02
Ultrasound	26,974	1,587	14,285	359	43,205	.32
Laboratory	252,452	68,872	368,581	38,314	728,219	5.35
Blood administration	4,796	338	39,635	–	44,769	.33
Respiratory therapy	169,814	42,548	6,796	3,891	223,049	1.64
Physical therapy	201,394	57,751	27,390	571	287,106	2.11
Occupational therapy	61,059	8,968	19,385	–	89,412	.66
Speech therapy	–	–	12,810	–	12,810	.09
Electrocardiology	51,198	13,105	109	1,517	65,929	.48
Medical supplies	69,550	25,245	86,497	319	181,611	1.34
Pharmacy	91,647	12,618	768,988	7,656	880,909	6.48
Treatment room	134,758	27,155	2,032	33	163,978	1.21
Specialty clinics	25,484	2,826	16,836	1,016	46,162	.34
Emergency room	134,788	19,867	316,760	1,749	473,164	3.48
Clinic	1,725,320	333,180	263,364	5,254	2,327,118	17.11
Cardiac rehabilitation	48,037	7,492	13,329	7,265	76,123	.56
Durable medical equipment	55,706	7,487	103,255	321	166,769	1.23
Home health	80,122	16,279	8,406	–	104,807	.77
Ambulance	119,988	14,972	31,398	2,975	169,333	1.25
Total ancillary services	4,059,514	795,597	2,742,558	206,332	7,804,001	57.38
General services:						
Nursing administration	115,864	28,413	25,073	–	169,350	1.25
Operation of plant	107,543	31,502	305,689	3,487	448,221	3.30
Laundry	48,545	9,632	18,962	1,589	78,728	.58
Housekeeping	137,577	40,850	36,178	–	214,605	1.58
Nutritional services	177,693	36,639	168,294	2,363	384,989	2.83
Health information	250,065	72,210	85,841	4,926	413,042	3.04
Administration and general	844,798	172,524	592,418	53,708	1,663,448	12.23
Employee benefits	74,986	121,637	62,004	40	258,667	1.90
Depreciation-fixed equipment and buildings	–	–	–	424,163	424,163	3.12
Total general services	1,757,071	513,407	1,294,459	490,279	4,055,213	29.83
Total expenses	$7,104,614	$ 1,608,208	$ 4,143,670	$ 742,653	$13,599,145	100.00%

	Year ended June 30, 2011					
	Salaries	Employee Benefits	Supplies and other	Deprec- iation	Total	% of total operating expenses
Routine services:						
Acute and swing bed	$ 1,226,155	$ 218,955	$ 242,674	$ 36,689	$ 1,724,473	14.12%
Nursery	8,863	425	1,826	805	11,919	.10
Total routine services	1,235,018	219,380	244,500	37,494	1,736,392	14.22
Ancillary services:						
Operating room	146,957	26,732	120,899	18,982	313,570	2.57
Delivery room	19,928	895	2,031	5,652	28,506	.23
Anesthesia	395,088	70,506	22,554	22	488,170	4.00
Radiology	138,600	31,629	53,002	55,383	278,614	2.28
MRI	585	–	90,287	–	90,872	.74
CT scan	48,428	1,346	108,104	47,513	205,391	1.68
Mammography	33,124	1,095	10,564	1,395	46,178	.38
Nuclear medicine	17,413	334	113,494	–	131,241	1.07
Ultrasound	23,686	1,391	5,297	358	30,732	.25
Laboratory	242,333	76,689	381,929	33,979	734,930	6.02
Blood administration	5,005	344	57,275	–	62,624	.51
Respiratory therapy	158,500	30,585	5,954	3,885	198,924	1.63
Physical therapy	189,946	37,988	17,823	1,637	247,394	2.03
Occupational therapy	50,427	5,622	24,213	–	80,262	.66
Speech therapy	–	–	1,360	–	1,360	.01
Electrocardiology	49,922	12,230	–	1,293	63,445	.52
Medical supplies	56,753	23,860	137,539	–	218,152	1.79
Pharmacy	78,367	13,760	637,211	3,051	732,389	5.99
Treatment room	99,851	20,404	6,606	–	126,861	1.04
Specialty clinics	19,105	2,624	22,704	1,013	45,446	.37
Emergency room	118,725	16,360	243,492	199	378,776	3.10
Clinic	1,451,410	306,066	260,251	36,139	2,053,866	16.81
Cardiac rehabilitation	33,322	5,275	11,658	4,147	54,402	.45
Durable medical equipment	72,188	13,521	116,112	800	202,621	1.66
Home health	110,125	27,906	12,878	–	150,909	1.24
Ambulance	114,617	13,081	33,753	3,851	165,302	1.35
Total ancillary services	3,674,405	740,243	2,496,990	219,299	7,130,937	58.38
General services:						
Nursing administration	96,656	19,220	21,104	–	136,980	1.12
Operation of plant	95,515	21,660	280,871	3,540	401,586	3.29
Laundry	46,173	13,347	18,270	1,104	78,894	.65
Housekeeping	121,521	28,700	32,527	–	182,748	1.50
Nutritional services	177,119	44,858	130,095	2,408	354,480	2.90
Health information	226,773	61,138	53,746	4,168	345,825	2.83
Administration and general	756,247	162,712	544,946	40,716	1,504,621	12.30
Employee benefits	84,401	103,926	34,525	–	222,852	1.82
Depreciation-fixed equipment and buildings	–	–	–	121,452	121,452	.99
Total general services	1,604,405	455,561	1,116,084	173,388	3,349,438	27.40
Total expenses	$ 6,513,828	$ 1,415,184	$ 3,857,574	$ 430,181	$12,216,767	100.00%