

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ROOKS COUNTY HEALTH CENTER
DECEMBER 31, 2011 AND 2010

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the financial performance of Rooks County Health Center provides a narrative overview of the Health Center's financial activities for the years ended December 31, 2011 and 2010. Please read it in conjunction with the accompanying basic financial statements.

Financial highlights

The Health Center's net assets decreased by \$528,987 or 8.8 percent in 2011 and increased by \$50,177 or 0.8 percent in 2010.

The Health Center reported an operating loss of \$35,223 for 2011 and operating income of \$320,462 for 2010.

Using these financial statements

The Health Center'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 Health Center, including resources held by or for the benefit of the Health Center, and resources restricted for specific purposes by contributors, grantors, and indenture agreements.

One of the most important questions asked about the Health Center's finances is, "Is the Health Center as a whole better or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the Health Center's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. For purposes of these two statements, revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Health Center's net assets and changes in them. The Health Center's net assets - the difference between assets and liabilities - may be thought of as one way to measure its financial health, or financial position. Over time, increases or decreases in the Health Center's net assets are one indicator of whether its financial health is improving or deteriorating. Consideration must also be given to other nonfinancial indicators, such as changes in the Health Center's patient base and measures of the quality of service it provides to the community, as well as local economic factors, to assess the overall health of the Health Center.

The final required statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from?", "What was cash used for?", and "What was the change in cash balance during the reporting period?"

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Assets, liabilities, and net assets

The Health Center's balance sheets as of the end of each of the last three years are summarized as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Assets			
Current assets	\$ 5,186,359	\$ 4,771,335	\$ 3,557,615
Assets limited as to use	4,194,606	4,316,369	4,250,204
Capital assets, net	14,354,391	15,468,421	16,831,687
Other assets	<u>260,351</u>	<u>266,038</u>	<u>290,046</u>
Total assets	<u>\$ 23,995,707</u>	<u>\$ 24,822,163</u>	<u>\$ 24,929,552</u>
Liabilities			
Long-term obligations	\$ 16,528,657	\$ 16,945,000	\$ 17,301,718
Current liabilities	<u>2,010,637</u>	<u>1,891,763</u>	<u>1,692,611</u>
Total liabilities	<u>\$ 18,539,294</u>	<u>\$ 18,836,763</u>	<u>\$ 18,994,329</u>
Net assets	<u>\$ 5,456,413</u>	<u>\$ 5,985,400</u>	<u>\$ 5,935,223</u>

In aggregate, the Health Center's unrestricted cash and invested cash (cash and internally designated limited use assets) totaled \$4,065,643 and \$3,812,720 as of December 31, 2011 and 2010, respectively. These represent 151 days and 155 days of cash on hand as of December 31, 2011 and 2010, respectively. These ratio values are above the median values for other similar hospitals.

The Health Center's net patient accounts receivable were 26 percent of current assets as of December 31, 2011, and 25 percent as of December 31, 2010. They increased compared to net patient service revenue during both 2011 and 2010. The average number of days of net patient revenue represented by them was 50 days and 47 days as of December 31, 2011 and 2010, respectively. These ratio values are below the median values for other similar hospitals.

At the end of 2011, the Health Center had \$14,354,391 invested in capital assets, net of accumulated depreciation. Net capital assets decreased by \$1,114,030 and \$1,363,266 in 2011 and 2010, respectively, primarily because depreciation expense exceeded the value of new capital assets placed in service.

No capital lease obligations were incurred during 2011 or 2010 to finance acquisition of equipment.

During June 2011, the Health Center refunded a portion of the Series 2006A bonds outstanding through the issuance of the Series 2011 bonds. We entered into this transaction for the purpose of lowering our overall borrowing costs.

The Health Center's net assets decreased \$528,987 or 8.8 percent during 2011 and increased \$50,177 or 0.8 percent during 2010. The percentage of total assets financed with net assets, or equity, was 22.7 percent, 24.1 percent, and 23.8 percent as of December 31, 2011, 2010, and 2009, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Operating results and changes in net assets

The Health Center's operating results and changes in net assets for each of the last three years are summarized as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating revenues	\$ 10,149,546	\$ 9,554,487	\$ 9,065,533
Operating expenses	<u>10,184,769</u>	<u>9,234,025</u>	<u>8,919,924</u>
Operating income (loss)	(35,223)	320,462	145,609
Interest expense	(1,161,726)	(1,215,481)	(1,280,218)
Property taxes	412,912	414,132	393,647
Other nonoperating revenues	113,490	90,106	103,367
Grants and contributions	<u>141,560</u>	<u>440,958</u>	<u>294,090</u>
Change in net assets	<u>\$ (528,987)</u>	<u>\$ 50,177</u>	<u>\$ (343,505)</u>

The first, and most significant, component of the overall change in the Health Center's net assets is its operating income or loss - generally, the difference between net patient service revenue and the expenses incurred to perform those services. The Health Center's operating results are significantly affected by the Medicaid disproportionate share hospital (DSH) payments. Leaving out the DSH payments, the Health Center's operating results were a loss of \$340,075 for 2011, income of \$45,870 for 2010, and a loss of \$219,058 for 2009.

Gross and net patient service revenue for the past three years are analyzed as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Inpatient services	\$ 4,419,972	\$ 3,173,733	\$ 2,409,926
Outpatient services	9,148,132	9,301,328	7,591,721
Physician services	<u>672,285</u>	<u>475,106</u>	<u>457,410</u>
Gross patient service revenue	14,240,389	12,950,167	10,459,057
Contractual adjustments	(3,911,112)	(3,228,206)	(1,593,815)
Medicaid DSH payments	304,852	274,592	364,667
Provision for bad debts	(640,191)	(474,883)	(301,355)
Charity care	<u>(139,736)</u>	<u>(233,553)</u>	<u>(95,132)</u>
Net patient service revenue	<u>\$ 9,854,202</u>	<u>\$ 9,288,117</u>	<u>\$ 8,833,422</u>

The Health Center raised its charge rates by 4.5 percent on September 1, 2011, and by 4.5 percent on September 1, 2010. Variations in gross patient service revenue during the past two years are due to these price increases and changes in patient volume. Gross revenues from inpatient services increased 39.3 percent during 2011 and increased by 31.7 percent during 2010. The combined total of acute, nursery, and swing-bed patient days increased by 13.4 percent and 15.3 percent during 2011 and 2010, respectively. Gross revenues from outpatient services decreased by 1.6 percent and increased by 22.5 percent during 2011 and 2010, respectively. Gross revenues from physician services increased by 41.5 percent during 2011 and increased 3.9 percent during 2010. The opening of the Docs Without Delay Clinic for six days a week on September 1, 2011, was the primary cause of the significant increase in physician services.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

The Health Center has agreements with various third-party payors that provide for payments to it at amounts different from its established charge rates. These differences are referred to as contractual adjustments. Contractual adjustments as a percentage of gross revenue were 27.5 percent, 24.9 percent, and 15.2 percent during 2011, 2010, and 2009, respectively. These values are comparable to the median value for other critical access hospitals. As a critical access hospital, contractual adjustments for the Medicare program are much lower as a percentage of gross charges than they are for most other third-party payors. As expected, the Health Center's contractual adjustment rate dropped substantially during 2009 due to increased cost reimbursements from the Medicare and Medicaid programs associated with the substantial increases in depreciation and interest expenses that began to be incurred once the new hospital facility was completed and placed in service. Also as expected, the Health Center's contractual adjustment rate rose substantially in 2010 because of a large increase (approximately 18.5 percent) in overall patient volume. Contractual adjustments for cost reimbursed services generally rise, both in total and as a percentage of gross revenues, when volume increases and fall when volume decreases.

Uncollected charges due from patients (the provision for bad debts combined with charity care write-offs) represented 5.5 percent, 5.5 percent, and 3.8 percent of gross patient service revenue during 2011, 2010, and 2009, respectively. These percentages are below those for similar hospitals.

Employee salaries and wages increased by \$332,496 or 9.0 percent during 2011 and \$47,268 or 1.3 percent during 2010. These changes are functions of changes in numbers of employees and in pay rates. Total full-time equivalent employees increased 5.3 percent and decreased 8.1 percent during 2011 and 2010, respectively. Average pay rates increased by 3.5 percent during 2011 and increased by 10.2 percent during 2010.

The cost of employee benefits represented 24.7 percent of salaries and wages during 2011 as compared to 24.3 percent during 2010.

Supplies and other expenses increased \$501,755 or 15.9 percent during 2011, as compared to an increase of \$469,866 or 17.5 percent during 2010. The 2011 increase included \$66,378 of additional physician fees due to the opening of the Docs Without Delay Clinic for six days a week on September 1, 2011, and \$133,113 for physician recruitment expenses. All other supplies and other expenses increased \$302,264 or 9.6 percent during 2011. That increase and the 17.5 percent increase during 2010 are generally consistent with the patient volume fluctuations experienced by the Health Center combined with the general rate of health care inflation.



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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Rooks County Health Center

We have audited the accompanying financial statements of the business-type activity of Rooks County Health Center (the Health Center) as of and for the years ended December 31, 2011 and 2010, which collectively comprise the Health Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Health Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Health Center's internal control over financial reporting. Accordingly, we express no such opinion. 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 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 the business-type activity of Rooks County Health Center as of December 31, 2011 and 2010, and the results of its operations, changes in net assets, 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 1 through 4 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.

Wendling Roe Nelson & Johnson LLC
Topeka, Kansas
May 23, 2012

FINANCIAL STATEMENTS

ROOKS COUNTY HEALTH CENTER

BALANCE SHEETS

December 31,

ASSETS

	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash	\$ 2,408,533	\$ 2,367,334
Assets limited as to use	633,453	538,452
Patient accounts receivable, net of allowance for uncollectible accounts of \$547,000 in 2011 and \$377,006 in 2010	1,351,469	1,194,508
Estimated third-party payor settlements	94,750	
Property taxes receivable	404,247	397,904
Inventories	169,675	171,429
Prepaid expenses	<u>124,232</u>	<u>101,708</u>
Total current assets	<u>5,186,359</u>	<u>4,771,335</u>
ASSETS LIMITED AS TO USE		
Internally designated	1,657,110	1,445,386
Under indenture agreements - held by trustee	2,327,259	2,451,908
By contributors and grantors for capital asset acquisitions	609,136	722,973
By contributors to be held in perpetuity	<u>234,554</u>	<u>234,554</u>
	4,828,059	4,854,821
Less amounts required to meet current obligations	<u>633,453</u>	<u>538,452</u>
	<u>4,194,606</u>	<u>4,316,369</u>
CAPITAL ASSETS - NET	<u>14,354,391</u>	<u>15,468,421</u>
OTHER ASSETS		
Deferred financing costs, less accumulated amortization of \$56,984 in 2011 and \$106,853 in 2010	<u>260,351</u>	<u>266,038</u>
Total assets	<u>\$ 23,995,707</u>	<u>\$ 24,822,163</u>

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS

	<u>2011</u>	<u>2010</u>
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 560,000	\$ -
Current portion of capital lease obligations		13,725
Accounts payable	299,350	128,940
Capital asset acquisitions payable	83,600	134,590
Estimated third-party payor settlements		500,864
Accrued salaries, wages, and benefits	134,333	113,030
Accrued compensated absences	191,361	164,258
Deferred property tax revenue	404,247	397,904
Accrued interest payable	<u>337,746</u>	<u>438,452</u>
Total current liabilities	2,010,637	1,891,763
LONG-TERM DEBT, less current maturities	<u>16,528,657</u>	<u>16,945,000</u>
Total liabilities	<u>18,539,294</u>	<u>18,836,763</u>
NET ASSETS		
Invested in capital assets - net of related debt	(898,293)	316,025
Restricted		
For debt service	589,852	598,016
Expendable for capital asset acquisitions	687,320	901,984
Nonexpendable permanent endowments	234,554	234,554
Unrestricted	<u>4,842,980</u>	<u>3,934,821</u>
Total net assets	<u>5,456,413</u>	<u>5,985,400</u>
Total liabilities and net assets	<u>\$ 23,995,707</u>	<u>\$ 24,822,163</u>

ROOKS COUNTY HEALTH CENTER
STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
Year ended December 31,

	<u>2011</u>	<u>2010</u>
Operating revenues		
Net patient service revenue	\$ 9,854,202	\$ 9,288,117
Other revenue	<u>295,344</u>	<u>266,370</u>
Total operating revenues	<u>10,149,546</u>	<u>9,554,487</u>
Operating expenses		
Salaries and wages	4,024,827	3,692,331
Employee benefits	994,893	897,599
Supplies and other	3,649,250	3,147,495
Depreciation and amortization	<u>1,515,799</u>	<u>1,496,600</u>
Total operating expenses	<u>10,184,769</u>	<u>9,234,025</u>
Operating income (loss)	<u>(35,223)</u>	<u>320,462</u>
Nonoperating revenues and expenses		
Property taxes	412,912	414,132
Investment income	45,881	69,644
Interest expense	(1,161,726)	(1,215,481)
Noncapital grants and contributions	141,560	196,640
Gain on disposal or impairment of capital assets	<u>67,609</u>	<u>20,462</u>
Total nonoperating revenues and expenses	<u>(493,764)</u>	<u>(514,603)</u>
Excess of expenses over revenues before capital grants and contributions	<u>(528,987)</u>	<u>(194,141)</u>
Capital grants and contributions		<u>244,318</u>
Change in net assets	<u>(528,987)</u>	<u>50,177</u>
Net assets at beginning of year	<u>5,985,400</u>	<u>5,935,223</u>
Net assets at end of year	<u>\$ 5,456,413</u>	<u>\$ 5,985,400</u>

The accompanying notes are an integral part of these statements.

ROOKS COUNTY HEALTH CENTER
STATEMENTS OF CASH FLOWS
Year ended December 31,

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Receipts from and on behalf of patients	\$ 9,101,627	\$ 9,752,420
Payments to or on behalf of employees	(4,971,314)	(4,592,379)
Payments for supplies and services	(3,499,610)	(3,118,628)
Other receipts and payments	<u>295,344</u>	<u>266,370</u>
Net cash provided by operating activities	<u>926,047</u>	<u>2,307,783</u>
Cash flows from noncapital financing activities		
Property taxes received	412,912	414,132
Noncapital grants and contributions	<u>141,560</u>	<u>196,640</u>
Net cash provided by noncapital financing activities	<u>554,472</u>	<u>610,772</u>
Cash flows from capital and related financing activities		
Acquisition of capital assets	(600,484)	(106,102)
Proceeds from disposal of capital assets		27,820
Insurance proceeds from impairment of capital assets	215,334	
Capital grants and contributions	28,218	80,551
Payments on capital lease obligations	(13,725)	(97,959)
Proceeds from issuance of long-term debt	9,545,000	
Principal payments on long-term debt	(9,270,000)	(578,700)
Interest paid	(1,230,232)	(1,223,035)
Payment of deferred financing costs	<u>(157,856)</u>	
Net cash used by capital and related financing activities	<u>(1,483,745)</u>	<u>(1,897,425)</u>
Cash flows from investing activities		
Change in assets limited as to use	(87,306)	274,948
Investment income received	<u>131,731</u>	<u>120,900</u>
Net cash provided by investing activities	<u>44,425</u>	<u>395,848</u>
Change in cash	41,199	1,416,978
Cash at beginning of year	<u>2,367,334</u>	<u>950,356</u>
Cash at end of year	<u>\$ 2,408,533</u>	<u>\$ 2,367,334</u>

The accompanying notes are an integral part of these statements.

ROOKS COUNTY HEALTH CENTER
STATEMENTS OF CASH FLOWS - CONTINUED
Year ended December 31,

	<u>2011</u>	<u>2010</u>
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ (35,223)	\$ 320,462
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation and amortization	1,515,799	1,496,600
Provision for bad debts	640,191	474,883
Amortization of physician advances and guarantees		2,624
Changes in		
Patient accounts receivable	(797,152)	(801,097)
Inventories and prepaid expenses	(20,770)	9,782
Accounts payable and accrued expenses	218,816	14,012
Estimated third-party payor settlements	<u>(595,614)</u>	<u>790,517</u>
Net cash provided by operating activities	<u>\$ 926,047</u>	<u>\$ 2,307,783</u>

The accompanying notes are an integral part of these statements.

ROOKS COUNTY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE A - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES

1. Reporting entity

Rooks County Health Center (the Health Center) is governed by a Board of Directors elected by voters located within the Health Center's district. The Health Center owns and operates a 25-bed critical access hospital located in Plainville, Kansas. The Health Center also owns and operates a sixteen-unit limited care residential retirement facility.

2. 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

3. Basis of accounting

The Health Center uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," the Health Center has implemented all GASB pronouncements and only relevant pronouncements of the Financial Accounting Standards Board (FASB) issued before November 30, 1989.

4. Property taxes

The Health Center received approximately 4 percent of its financial support from property taxes during both 2011 and 2010. These funds were used entirely to support operations. Taxes are levied in November of each year and are received beginning in January of the following year. Property tax revenue is recognized in full in the year following the year that the taxes were levied, which is the year in which use is first permitted.

5. Cash equivalents

The Health Center considers all cash and invested cash, excluding such amounts included in assets limited as to use to be cash equivalents.

6. Allowance for uncollectible accounts

The Health Center provides for accounts receivable that could become uncollectible in the future by establishing an allowance to reduce the carrying value of such receivables to their estimated net realizable value. The Health Center estimates this allowance based on the aging of its accounts receivable and its historical collection experience for each type of payor.

ROOKS COUNTY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2011 and 2010

NOTE A - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES - Continued

7. Inventories

Inventories are stated at the lower of cost or market with cost determined on the first-in, first-out method.

8. Assets limited as to use

Assets limited as to use include assets set aside by the Board of Directors for replacement of capital assets, purchase of additional capital assets, employee benefits, and physician income guarantees over which the Board retains control and may at its discretion subsequently use for other purposes; assets held under indenture agreements; assets restricted by contributors to be held in perpetuity; and assets restricted by grantors for capital acquisitions. Assets limited as to use that are required for obligations classified as current liabilities are reported in current assets.

9. Capital assets

Capital assets (including assets recorded as capital leases) are stated at cost. Depreciation and amortization of capital assets are provided on the straight-line method over the estimated useful lives of the assets. The estimated lives used are generally in accordance with the guidelines established by the American Hospital Association.

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. Gains and losses on disposition of property and equipment are included in nonoperating revenues and expenses.

10. Costs of borrowing

Interest costs (including amortization of deferred financing costs and deferred refunding losses) incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets. Costs incurred in connection with the issuance of long-term debt (including deferred refunding losses) are amortized using the interest method over the term of the related debt.

11. Grants and contributions

From time to time, the Health Center receives grants and contributions from individuals and private organizations. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted for a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

ROOKS COUNTY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2011 and 2010

NOTE A - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES - Continued

12. Net assets

Net assets of the Health Center 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 balances of any outstanding borrowings used to finance the purchase or construction of those assets. "Restricted expendable net assets" are noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Health Center, including amounts deposited with trustees as required by indenture agreements. "Restricted nonexpendable net assets" equal the principal balance of permanent endowments. "Unrestricted net assets" are remaining net assets that do not meet the definitions of the other three components of net assets.

13. Operating revenues and expenses

The Health Center's statement of revenues, expenses, and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, which is the Health Center's principal activity. Nonexchange revenues, including noncapital grants and contributions, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

14. Net patient service revenue

Net patient service revenue is reported at established charges with deductions for discounts, charity care, contractual adjustments, and provision for bad debts, 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.

15. Charity care

The Health Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Health Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

16. Income taxes

The Health Center is exempt from federal income taxes pursuant to Sections 115 and 501(a) of the Internal Revenue Code.

17. Subsequent events

The Health Center has evaluated subsequent events through May 23, 2012, which is the date the financial statements were available to be issued.

ROOKS COUNTY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 and 2010

NOTE B - REIMBURSEMENT PROGRAMS

The Health Center has agreements with third-party payors that provide for payments to the Health Center at amounts different from its established charge rates. The amounts reported on the balance sheet as estimated third-party payor settlements consist of the estimated differences between the contractual amounts for providing covered services and the interim payments received for those services. A summary of the payment arrangements with major third-party payors follows:

Medicare - The Health Center is a critical access hospital for purposes of the Medicare program and is paid for services rendered to Medicare beneficiaries under various cost reimbursement methodologies. The Health Center is paid for cost reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by the Health Center and audits or reviews thereof by the Medicare administrative contractor. The Health Center's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. The Health Center's Medicare cost reports have been audited or reviewed by the Medicare administrative contractor through December 31, 2009.

Medicaid - All services rendered to Medicaid beneficiaries not enrolled in a Medicaid managed care plan are paid under cost reimbursement methodologies. Services rendered to all other Medicaid beneficiaries are paid at prospectively determined rates. The Health Center is paid for cost reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by the Health Center and reviews thereof by the Kansas Department of Health and Environment, Division of Health Care Finance (DHCF). The Health Center's Medicaid cost reports have been audited or reviewed by DHCF through December 31, 2009.

The Kansas Medicaid program provides additional payments to qualifying providers under a reimbursement formula that incorporates uncompensated care costs, Kansas Medicaid utilization, public support of the provider, and other factors. The Health Center qualified for these disproportionate share payments during both 2011 and 2010.

Blue Cross and Blue Shield - All services rendered to patients who are insured by Blue Cross-Blue Shield are paid on the basis of prospectively determined rates per discharge or discounts from established charges.

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

ROOKS COUNTY HEALTH CENTER
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 December 31, 2011 and 2010

NOTE B - REIMBURSEMENT PROGRAMS - Continued

A summary of gross and net patient service revenue follows:

	<u>2011</u>	<u>2010</u>
Gross patient service revenue	\$ 14,240,389	\$ 12,950,167
Contractual adjustments	(3,911,112)	(3,228,206)
Medicaid disproportionate share payments	304,852	274,592
Provision for bad debts	(640,191)	(474,883)
Charity care	<u>(139,736)</u>	<u>(233,553)</u>
 Net patient service revenue	 <u>\$ 9,854,202</u>	 <u>\$ 9,288,117</u>

Revenue from the Medicare and Medicaid programs accounted for approximately 67 percent and 4 percent, respectively, of the Health Center's net patient service revenue during 2011, and 62 percent and 6 percent, respectively, of the Health Center's net patient service revenue during 2010. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

NOTE C - DEPOSITS WITH FINANCIAL INSTITUTIONS

Kansas statutes authorize the Health Center, with certain restrictions, to deposit or invest in open accounts, time deposits, certificates of deposit, repurchase agreements, U.S. Treasury Bills and Notes, and the State Treasurer's investment pool. Kansas statutes also require that collateral be pledged for bank deposits with a fair market value equal to 100 percent of the uninsured amounts and must be assigned for the benefit of the Health Center.

At December 31, 2011, the carrying amount of the Health Center's bank deposits, including certificates of deposit, was \$4,062,030 and the bank balances were \$4,152,371. Of the bank balances, \$551,926 was covered by federal depository insurance and \$3,600,445 was covered by collateral held by a third-party bank, but not registered in the Health Center's name.

The Health Center's bank deposits are included in the financial statements under the following categories:

Cash	\$ 2,408,183
Assets limited as to use	
Internally designated	1,419,293
By contributors to be held in perpetuity	<u>234,554</u>
Total bank deposits	<u>\$ 4,062,030</u>

ROOKS COUNTY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2011 and 2010

NOTE D - ASSETS LIMITED AS TO USE

The composition of assets limited as to use is as follows:

	<u>2011</u>	<u>2010</u>
Internally designated		
Cash	\$ 1,309,096	\$ 1,135,591
Certificates of deposit	110,198	109,026
Cash held by Rooks County Healthcare Foundation for the benefit of the Health Center	<u>237,816</u>	<u>200,769</u>
	<u>\$ 1,657,110</u>	<u>\$ 1,445,386</u>
Under indenture agreements - held by trustee		
Cash and money market funds	\$ 2,327,259	\$ 820,214
U.S. Government Agency obligations		1,608,368
Accrued interest receivable		<u>23,326</u>
	<u>\$ 2,327,259</u>	<u>\$ 2,451,908</u>
By contributors and grantors for capital asset acquisitions		
Cash held by Rooks County Healthcare Foundation for the benefit of the Health Center	\$ 375,255	\$ 460,874
Farmland	213,481	213,481
Pledges receivable	<u>20,400</u>	<u>48,618</u>
	<u>\$ 609,136</u>	<u>\$ 722,973</u>
By contributors to be held in perpetuity		
Certificates of deposit	<u>\$ 234,554</u>	<u>\$ 234,554</u>

Assets limited as to use by indenture agreements are held by the trustee in the following accounts:

	<u>2011</u>	<u>2010</u>
Project fund		
Series 2006A	\$ 161,784	\$ 279,011
Debt service fund		
Principal accounts		
Series 2006A	8	
Series 2011	234,170	
Interest accounts		
Series 2006A	176,528	487,203
Series 2011	154,769	
Debt service reserve fund	<u>1,600,000</u>	<u>1,685,694</u>
	<u>\$ 2,327,259</u>	<u>\$ 2,451,908</u>

ROOKS COUNTY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2011 and 2010

NOTE D - ASSETS LIMITED AS TO USE - Continued

The project fund is to be used to pay costs of constructing the hospital facility. The debt service funds are to be used to make principal and interest payments on the bonds issued to finance that construction as they become due. The debt service reserve fund is available to pay principal and interest on the bonds in the event there are insufficient monies in the debt service funds to make such payments.

NOTE E - CAPITAL ASSETS

Capital asset additions, retirements, and balances are as follows:

	2011			
	<u>Beginning balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending balance</u>
Land	\$ 23,000	\$ -	\$ -	\$ 23,000
Land improvements	1,519,120			1,519,120
Buildings and fixed equipment	16,416,821	150,453	185,666	16,381,608
Major movable equipment	<u>3,430,939</u>	<u>399,041</u>		<u>3,829,980</u>
Totals at historical cost	<u>21,389,880</u>	<u>549,494</u>	<u>185,666</u>	<u>21,753,708</u>
Less accumulated depreciation and amortization				
Land improvements	358,517	161,189		519,706
Buildings and fixed equipment	3,539,791	980,108	37,941	4,481,958
Major movable equipment	<u>2,023,151</u>	<u>374,502</u>		<u>2,397,653</u>
	<u>5,921,459</u>	<u>1,515,799</u>	<u>37,941</u>	<u>7,399,317</u>
Capital assets, net	<u>\$ 15,468,421</u>	<u>\$ (966,305)</u>	<u>\$ 147,725</u>	<u>\$ 14,354,391</u>
	2010			
	<u>Beginning balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending balance</u>
Land	\$ 23,000	\$ -	\$ -	\$ 23,000
Land improvements	1,510,933	8,187		1,519,120
Buildings and fixed equipment	16,349,484	75,437	8,100	16,416,821
Major movable equipment	<u>3,373,871</u>	<u>57,068</u>		<u>3,430,939</u>
Totals at historical cost	<u>21,257,288</u>	<u>140,692</u>	<u>8,100</u>	<u>21,389,880</u>
Less accumulated depreciation and amortization				
Land improvements	198,124	160,393		358,517
Buildings and fixed equipment	2,540,413	1,000,120	742	3,539,791
Major movable equipment	<u>1,687,064</u>	<u>336,087</u>		<u>2,023,151</u>
	<u>4,425,601</u>	<u>1,496,600</u>	<u>742</u>	<u>5,921,459</u>
Capital assets, net	<u>\$ 16,831,687</u>	<u>\$ (1,355,908)</u>	<u>\$ 7,358</u>	<u>\$ 15,468,421</u>

ROOKS COUNTY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2011 and 2010

NOTE E - CAPITAL ASSETS - Continued

The Health Center incurred hail damage to the roofs on the hospital and residential retirement facility buildings during June 2011. The Health Center determined that the roofs currently in use were impaired and an impairment loss of \$147,725 was recognized. After insurance proceeds of \$215,334, there was a gain from impairment of capital assets of \$67,609, which is included in nonoperating revenues and expenses.

NOTE F - CAPITAL LEASE OBLIGATIONS

The Health Center leases various items of equipment as a normal part of its operations. Capital assets include the following amounts for leases that have been capitalized:

	<u>2011</u>	<u>2010</u>
Buildings and fixed equipment	\$ -	\$ -
Major movable equipment	<u> </u>	<u>116,958</u>
	-	116,958
Less accumulated amortization	<u> </u>	<u>105,764</u>
	<u>\$ -</u>	<u>\$ 11,194</u>

The following is a summary of changes in capital lease obligations:

Principal outstanding at January 1, 2010	\$ 111,684
Payments on capital lease obligations	<u>(97,959)</u>
Principal outstanding at December 31, 2010	13,725
Payments on capital lease obligations	<u>(13,725)</u>
Principal outstanding at December 31, 2011	<u>\$ -</u>

ROOKS COUNTY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2011 and 2010

NOTE G - LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2011</u>	<u>2010</u>
6.90% Plainville Rural Hospital District No. 1 Hospital Revenue Bonds, Series 2006A, issued on August 31, 2006, in the original amount of \$16,945,000, due serially through August 15, 2031, with principal payments beginning on August 15, 2012	\$ 7,675,000	\$16,945,000
1.15% - 5.35% Plainville Rural Hospital District No. 1 Hospital Refunding Revenue Bonds, Series 2011, issued on June 16, 2011, in the original amount of \$9,545,000, due serially through August 15, 2025, with principal payments beginning on August 15, 2012	9,545,000	
Unamortized deferred refunding loss	<u>(131,343)</u>	<u> </u>
	17,088,657	16,945,000
Less current maturities of long-term debt	<u>560,000</u>	<u> </u>
Total long-term debt, net of current maturities	<u>\$ 16,528,657</u>	<u>\$16,945,000</u>

On August 31, 2006, the Health Center issued its Hospital Revenue Bonds, Series 2006A, in the principal amount of \$16,945,000, for the purpose of providing funds to be used along with other available funds of the Health Center to (1) pay for the costs of constructing a new hospital facility, (2) pay for certain costs related to issuance of the 2006 bonds, (3) fund a debt service reserve fund for the 2006 bonds, and (4) pay the interest incurred on the 2006 bonds during construction of the new facility.

On June 16, 2011, the Health Center issued its Hospital Refunding Revenue Bonds, Series 2011, in the principal amount of \$9,545,000, to partially refund the Series 2006A bonds and to pay costs related to the issuance of the 2011 bonds.

The current refunding decreased total future debt service requirements of the Hospital by \$1,843,914. This resulted in an economic gain (difference between the present value of the future debt service payments on the old and new debt) of \$1,546,121. As a result of the current refunding, a deferred refunding loss of \$140,560 was recognized for the difference between book value of the refunded debt and the amount required to extinguish the debt.

ROOKS COUNTY HEALTH CENTER
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 December 31, 2011 and 2010

NOTE G - LONG-TERM DEBT - Continued

The indenture agreement for the bonds requires the Health Center to transfer to a trustee, on a monthly basis, specified amounts which, when combined with interest earned on the respective funds held by the trustee, will provide sufficient funds to pay the bond principal and interest on the appropriate due dates. Such transfers were made to the extent required. The specified funds were maintained with the trustee and are included with assets limited as to use in the financial statements. The obligations of the Health Center under the indenture agreement are secured by a pledge of its unrestricted revenues, subject to the right of the Health Center to dispose of or encumber property as defined and permitted in the indenture agreement. The indenture agreement also includes certain restrictive covenants relating to the acquisition and disposition of property, incurrence of additional indebtedness, maintenance of specified values for certain financial statement ratios, and the level of fees and rates charged. The covenant in the indenture agreement regarding the level of fees and rates charged requires that fees and rates for services be set at levels sufficient for the Health Center to produce income available for debt service in each fiscal year equal to 125 percent of the maximum debt service requirements of all debt outstanding during that fiscal year. The Health Center's income available for debt service during 2011 was 138 percent of the specified debt service requirements.

Scheduled annual debt service requirements on long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 560,000	\$ 900,655	\$ 1,460,655
2013	565,000	894,215	1,459,215
2014	575,000	884,893	1,459,893
2015	590,000	872,530	1,462,530
2016	605,000	857,190	1,462,190
2017-2021	3,365,000	3,943,317	7,308,317
2022-2026	4,360,000	3,088,405	7,448,405
2027-2031	<u>6,600,000</u>	<u>1,427,610</u>	<u>8,027,610</u>
	<u>\$ 17,220,000</u>	<u>\$ 12,868,815</u>	<u>\$ 30,088,815</u>

The following is a summary of changes in long-term debt:

Outstanding at January 1, 2010	\$ 17,523,700
Principal payments	<u>(578,700)</u>
Outstanding at December 31, 2010	16,945,000
Long-term debt incurred	9,545,000
Principal payments	(9,270,000)
Deferred refunding loss	(140,560)
Amortization of deferred refunding loss	<u>9,217</u>
Outstanding at December 31, 2011	<u>\$ 17,088,657</u>

ROOKS COUNTY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2011 and 2010

NOTE G - LONG-TERM DEBT - Continued

Total interest costs are summarized as follows:

	<u>2011</u>	<u>2010</u>
Interest incurred	\$ 1,129,525	\$ 1,191,473
Amortization of deferred financing costs	22,984	24,008
Amortization of deferred refunding loss	<u>9,217</u>	<u> </u>
Interest expense	<u>\$ 1,161,726</u>	<u>\$ 1,215,481</u>

NOTE H - DEFINED CONTRIBUTION PENSION PLAN

The Health Center sponsors a defined contribution pension plan. Substantially all employees of the Health Center are eligible to participate in the Plan after one year of employment. Covered employees may contribute up to 4 percent of covered compensation and the Health Center makes contributions matching those of covered employees. Contributions to the Plan made by employees vest immediately and contributions to the Plan made by the Health Center vest based upon the Plan's vesting schedule and the employee's years of service with the Health Center.

The contributions to the Plan for 2011 were approximately \$268,000 which consisted of \$99,000 from the Health Center, net of forfeitures used, and \$169,000 from employees. Contributions to the Plan for 2010 were approximately \$298,000 which consisted of \$121,000 from the Health Center and \$177,000 from employees. Contributions to the Plan are invested in annuity contracts with an insurance company.

NOTE I - CONCENTRATION OF CREDIT RISK

The Health Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors is as follows:

	<u>2011</u>	<u>2010</u>
Medicare	47%	40%
Medicaid	2	3
Blue Cross	18	25
Other third-party payors	11	12
Self-pay	<u>22</u>	<u>20</u>
	<u>100%</u>	<u>100%</u>

ROOKS COUNTY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2011 and 2010

NOTE J - RISK MANAGEMENT

For the years ended December 31, 2011 and 2010, the Health Center was insured for professional liability under a comprehensive hospital liability policy provided by an independent insurance carrier with limits of \$200,000 per occurrence up to an annual aggregate of \$600,000 for all claims made during the policy year. The Health Center is further covered by the Kansas Health Care Stabilization Fund for claims in excess of its comprehensive hospital liability policy up to \$800,000 pursuant to any one judgment or settlement against the Health Center for any one party, subject to an aggregate limitation for all judgments or settlements arising from all claims made in the policy year in the amount of \$2,400,000. The policy provided by the independent insurance carrier provides for umbrella liability coverage in excess of the underlying limits set forth above in the amount of \$1,000,000 per occurrence with an aggregate amount in any policy year of \$3,000,000. All coverage is on a claims-made basis. The above policies have been renewed through January 1, 2013. The Health Center intends to renew this coverage on that date and is aware of no reason why such coverage would be denied at that time.

In addition to the risks disclosed elsewhere in these financial statements and notes thereto, the Health Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Health Center purchases commercial insurance for these risks. Settled claims have not exceeded this commercial coverage in any of the past three years.

NOTE K - CONTINGENCIES

Pursuant to a guaranty agreement with a bank, a certificate of deposit held by the Rooks County Healthcare Foundation for benefit of the Health Center has been pledged as collateral for a loan agreement entered into by the Rooks County Healthcare Foundation. The carrying amount of the certificate of deposit at December 31, 2011, is \$207,729.

SUPPLEMENTARY INFORMATION



Certified Public Accountants
and Management Consultants

Brian J. Florea, CPA
Derek H. Hart, CPA
John R. Helms, CPA
Darrell D. Loyd, CPA
Eric L. Otting, CPA

Jere Noe, CPA
John E. Wendling, CPA
Gary D. Knoll, CPA
Adam C. Crouch, CPA
Heather R. Eichen, CPA

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON SUPPLEMENTARY INFORMATION

Board of Directors
Rooks County Health Center

We have audited the financial statements of Rooks County Health Center as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated May 23, 2012, which contained an unqualified opinion on those financial statements. Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information presented hereinafter is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Wendling Noe Nelson & Johnson LLC
Topeka, Kansas
May 23, 2012

ROOKS COUNTY HEALTH CENTER
GROSS PATIENT SERVICE REVENUE
Year ended December 31,

	2011			2010		
	<u>Inpatient</u>	<u>Outpatient</u>	<u>Total</u>	<u>Inpatient</u>	<u>Outpatient</u>	<u>Total</u>
Acute care	\$ 588,609	\$ -	\$ 588,609	\$ 373,850	\$ -	\$ 373,850
Swing-bed care	607,019		607,019	562,494		562,494
Observation	6,540	122,829	129,369	5,388	161,049	166,437
Nursery	34,022		34,022	26,109		26,109
Operating and recovery room	33,253	956,995	990,248	50,309	1,005,888	1,056,197
Delivery room	114,939		114,939	81,767	3,658	85,425
Anesthesiology	54,767	371,282	426,049	47,061	438,995	486,056
Radiology	201,136	2,777,499	2,978,635	173,808	2,703,863	2,877,671
Laboratory	262,865	1,429,658	1,692,523	206,811	1,479,973	1,686,784
Respiratory therapy	226,264	44,018	270,282	190,367	13,774	204,141
Physical therapy	146,249	478,074	624,323	120,309	536,275	656,584
Occupational therapy	102,789	190,358	293,147	53,921	123,007	176,928
Speech therapy	11,581	26,241	37,822	15,905	20,015	35,920
Electrocardiology	10,006	98,977	108,983	4,864	77,356	82,220
Cardiac rehabilitation		257,670	257,670		262,125	262,125
Wound care	3,899	34,221	38,120		56,285	56,285
Monitor	35,463	15,760	51,223	6,458	17,201	23,659
Medical supplies	294,480	304,816	599,296	182,806	344,331	527,137
Pharmacy	1,665,157	934,428	2,599,585	1,050,724	1,044,289	2,095,013
Emergency room	20,934	1,105,306	1,126,240	20,782	1,013,244	1,034,026
Clinic		672,285	672,285		475,106	475,106
Gross patient service revenue	<u>\$ 4,419,972</u>	<u>\$ 9,820,417</u>	<u>\$ 14,240,389</u>	<u>\$ 3,173,733</u>	<u>\$ 9,776,434</u>	<u>\$ 12,950,167</u>

ROOKS COUNTY HEALTH CENTER

OTHER REVENUE

Year ended December 31,

	<u>2011</u>	<u>2010</u>
Independent living	\$ 92,944	\$ 77,794
Cafeteria sales	40,881	32,066
Transportation cost reimbursements	44,876	48,369
Miscellaneous	<u>116,643</u>	<u>108,141</u>
	<u>\$ 295,344</u>	<u>\$ 266,370</u>

ROOKS COUNTY HEALTH CENTER
EXPENSES BY FUNCTIONAL DIVISION
Year ended December 31,

	2011			2010		
	Salaries and wages	Supplies and other	Total	Salaries and wages	Supplies and other	Total
Routine care	\$ 950,077	\$ 123,138	\$ 1,073,215	\$ 916,618	\$ 96,639	\$ 1,013,257
Nursery	11,582	1,671	13,253	9,934	3,304	13,238
Operating and recovery room	126,285	89,849	216,134	67,404	76,105	143,509
Delivery room	26,170	3,214	29,384	16,172	2,447	18,619
Anesthesiology		195,414	195,414		237,145	237,145
Radiology	285,566	310,621	596,187	272,462	317,959	590,421
Laboratory	295,327	300,452	595,779	293,202	284,199	577,401
Respiratory therapy	44,309	1,512	45,821	45,797	942	46,739
Physical therapy	167,612	35,040	202,652	173,735	5,531	179,266
Occupational therapy	73,289	614	73,903	46,744	26,590	73,334
Speech therapy	21,826	1,682	23,508	20,578	4,914	25,492
Electrocardiology	7,020	263	7,283	6,756	519	7,275
Cardiac rehabilitation	68,580	61,656	130,236	66,658	81,122	147,780
Wound care	9,254	2,760	12,014	8,240	3,376	11,616
Medical supplies	87,608	40,785	128,393	82,905	49,493	132,398
Pharmacy	101,241	369,882	471,123	78,051	342,940	420,991
Emergency room	64,003	344,878	408,881	50,631	304,036	354,667
Clinic	215,374	425,748	641,122	190,027	100,355	290,382
Transportation	38,482	(1,690)	36,792	34,253	(1,621)	32,632
Independent living	3,568	37,344	40,912	3,833	30,038	33,871
Administration and general	841,157	610,574	1,451,731	783,696	672,286	1,455,982
Marketing	81,235	2,006	83,241	79,353	398	79,751
Plant operation	74,520	446,513	521,033	89,113	341,381	430,494
Laundry	14,851	8,822	23,673	16,154	7,644	23,798
Housekeeping	69,995	14,971	84,966	56,455	17,744	74,199
Dietary	162,447	131,784	294,231	150,158	91,219	241,377
Nursing administration	109,445	25,466	134,911	63,025	11,883	74,908
Medical records	74,004	64,281	138,285	70,377	38,907	109,284
Employee benefits		994,893	994,893		897,599	897,599
Depreciation and amortization		1,515,799	1,515,799		1,496,600	1,496,600
	<u>\$ 4,024,827</u>	<u>\$ 6,159,942</u>	<u>\$ 10,184,769</u>	<u>\$ 3,692,331</u>	<u>\$ 5,541,694</u>	<u>\$ 9,234,025</u>

ROOKS COUNTY HEALTH CENTER
BALANCE IN DEPOSITORY COMPARED WITH DEPOSITORY SECURITY
December 31, 2011

	<u>Bank balances</u>	<u>F.D.I.C. coverage</u>	<u>Balance subject to pledging of securities</u>	<u>Market value of securities pledged</u>	<u>Market value of securities pledged in excess of depository requirements</u>
Midwest Community Bank					
Demand deposits					
For interest bearing accounts	\$ 3,755,693	\$ 250,000	\$ 3,505,693	\$ 4,392,002	\$ 886,309
For noninterest bearing accounts	51,926	51,926	-	-	-
Time deposits	344,752	250,000	94,752	94,752	-

ROOKS COUNTY HEALTH CENTER
SUMMARY OF INSURANCE COVERAGE
December 31, 2011

Insurer	Type of coverage	Coverage amount	Premium	Term
KaMMCO Insurance Company	Hospital professional liability	\$200,000/\$600,000	\$10,836	January 1, 2012
	General liability and umbrella			to
	hospital professional liability	\$1,000,000/\$3,000,000	\$4,563	January 1, 2013
	Personal injury/property	\$1,000,000/\$3,000,000	\$1,083	
	Employee benefit liability	\$250,000/\$250,000	\$501	
Kansas Health Care Provider Insurance Availability Act	Excess hospital professional liability	\$800,000/\$2,400,000	\$4,569	January 1, 2012 to January 1, 2013
Travelers Casualty & Surety Company of America	Directors, Officers, and Trustees liability	\$1,000,000/\$1,000,000	\$6,144	January 1, 2012 to January 1, 2013
EMC Insurance Companies	Accounts receivable	\$500,000/\$500,000	\$96	January 1, 2012 to January 1, 2013
EMC Insurance Companies	Building and personal property Equipment breakdown	\$20,728,691 \$20,728,691	\$39,611	January 1, 2012 to January 1, 2013
EMC Insurance Companies	Auto liability and physical damage Nonowned and hired autos Uninsured motorists	\$1,000,000/\$1,000,000 \$1,000,000/\$1,000,000 \$1,000,000/\$1,000,000	\$3,295	January 1, 2012 to January 1, 2013
EMC Insurance Companies	Commercial crime	\$100,000	\$310	January 1, 2012 to January 1, 2013
EMC Insurance Companies	Outdoor equipment	\$120,000	\$414	January 1, 2012 to January 1, 2013
ACE Property and Casualty Insurance Company	Helipad general liability	\$5,000,000/\$5,000,000	\$2,260	January 1, 2012 to January 1, 2013
Wesco Insurance Company	Workers' compensation and employers liability (Kansas)	Statutory: Bodily injury by accident - \$1,000,000 each accident Bodily injury by disease - \$1,000,000 policy limit Bodily injury by disease - \$1,000,000 each employee	\$79,130	January 1, 2012 to January 1, 2013