SCOTT COUNTY HOSPITAL, INC.

FINANCIAL STATEMENTS

and

ADDITIONAL INFORMATION

with

INDEPENDENT AUDITOR'S REPORT

YEARS ENDED JUNE 30, 2011 AND 2010

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

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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, 2011 and 2010, 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, 2011 and 2010 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.

As discussed in Note 12 to the financial statements, the Hospital changed its method of accounting for goodwill during the year ended June 30, 2011.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion 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 has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

George, Bowerman & Noel, P.A.

Wichita, Kansas
January 19, 2012

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, 2011 and 2010. Please read it in conjunction with the Hospital's financial statements, which begin on page 7.

Financial Highlights

- Unrestricted cash balances increased by $416,029 and $357,401 or 15% in both 2011 and 2010, respectively.
- The Hospital's net assets increased by $10,728,953 or 149% in 2011 and by $1,426,862 or 25% in 2010.
- Gross patient service revenues increased $1,080,823 and $1,318,344 or 7% and 9% in 2011 and 2010, respectively.
- Contractual allowances and bad debts reduced gross patient service revenue by $5,773,359 or 33% of gross patient service revenue in 2011 and by $5,155,274 or 32% of gross patient service revenue in 2010.
- The Hospital reported an operating loss of $207,382 and $155,180 in 2011 and 2010, respectively.

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, 2011	2010	2009
Assets:			
Current assets	$ 5,915,543	$ 5,215,500	$ 4,693,919
Capital assets, net	12,978,985	2,996,154	2,579,650
Other noncurrent assets	134,812	545,648	565,653
Total assets	$ 19,029,340	$ 8,757,302	$ 7,839,222
Liabilities:			
Long-term liabilities	$ 313,817	$ 339,828	$ 749,373
Other liabilities	1,195,504	1,214,178	1,313,415
Total liabilities	$ 1,509,321	$ 1,554,006	$ 2,062,788
Net assets:			
Invested in capital assets, net	$ 12,639,157	$ 2,631,935	$ 1,744,549
Restricted	58,558	60,578	16,417
Unrestricted	4,822,304	4,510,783	4,015,468
Total net assets	$ 17,520,019	$ 7,203,296	$ 5,776,434

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, 2011	2010	2009
Operating revenue	$ 12,009,385	$ 11,314,125	$ 10,718,085
Operating expenses:			
Salaries	6,513,828	6,249,951	5,639,197
Employee benefits	1,415,184	1,291,332	1,107,379
Supplies and other	3,857,574	3,299,615	3,082,473
Depreciation and amortization	430,181	628,407	708,247
Total operating expenses	12,216,767	11,469,305	10,537,296
Operating income (loss)	(207,382)	(155,180)	180,789
Nonoperating revenues (expenses):			
Taxes	638,891	658,735	721,351
Investment income	31,171	30,563	18,037
Interest expense	(22,779)	(30,636)	(63,707)
Grants and contributions – Noncapital	55,748	41,190	22,738
Gain on sale of capital assets	–	5,400	–

	Year ended June 30,		
	2011	2010	2009
Total nonoperating revenues	703,031	705,252	698,419
Excess of revenues over expenses before capital grants and contributions	495,649	550,072	879,208
Capital grants and contributions	–	49,578	14,032
Transfers from Scott County for capital assets	10,233,304	827,212	–
Increase in net assets before cumulative change in accounting principle	10,728,953	1,426,862	893,240
Cumulative change in accounting principle	(412,230)	–	–
Increase in net assets	$ 10,316,723	$ 1,426,862	$ 893,240
Net assets at end of year	$ 17,520,019	$ 7,203,296	$ 5,776,434

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 $207,382 and $155,180 in 2011 and 2010, respectively.

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 slightly in 2011 primarily due to increases in grants and contributions, reduction in interest expense on long-term debt and a decrease in tax revenues.

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.

Capital Assets

At June 30, 2011, the Hospital had $12,978,985 invested in capital assets, net of accumulated depreciation, as detailed in Note 7 to the financial statements. In 2011, the Hospital had expenditures for property and equipment of approximately $10,413,000, including approximately $10,217,000 incurred for a 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 is expected to be complete in the spring 2011.

Debt

At June 30, 2011, the Hospital had a capitalized lease obligation outstanding of approximately $340,000, as discussed in Note 8 to the financial statements.

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:

- New facility. As noted above, the Hospital is in the process of constructing and equipping a new hospital facility that is expected to be completed in the spring of 2012. Accordingly, the plan is to move from the existing facility to the new facility before the end of the fiscal year on June 30, 2012. The old facility is expected to be returned to Scott County for their use.

- 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., 310 E. Third Street, Scott City, Kansas 67871.

SCOTT COUNTY HOSPITAL, INC.

BALANCE SHEETS

ASSETS

	June 30, 2011	June 30, 2010
Current assets:		
Cash (Notes 1 and 3)	$ 3,137,165	$ 2,721,136
Assets limited as to use (Note 3)	58,558	60,578
Accounts receivable, net of allowance for doubtful accounts of $390,843 in 2011 and $460,911 in 2010 (Notes 1 and 4)	2,039,416	1,531,486
Employee receivable	18,086	11,178
Estimated third-party payor settlements (Note 2)	131,210	402,713
Inventories (Note 1)	399,755	367,763
Prepaid expenses and other	131,353	120,646
Total current assets	5,915,543	5,215,500
Other assets:		
Employee receivable	134,812	133,418
Goodwill, net of accumulated amortization of $337,365 in 2010 (Notes 1 and 12)	–	412,230
Total other assets	134,812	545,648
Property and equipment, at cost (Notes 1, 7 and 11):		
Land	56,273	56,273
Land improvements	272,405	272,405
Buildings	3,256,030	3,256,030
Fixed equipment	1,549,294	1,526,619
Movable equipment	5,932,970	5,759,448
Construction in progress	11,069,654	852,839
Total property and equipment	22,136,626	11,723,614
Less accumulated depreciation	9,157,641	8,727,460
Property and equipment, net of accumulated depreciation	12,978,985	2,996,154
Total assets	$ 19,029,340	$ 8,757,302

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

LIABILITIES AND NET ASSETS

	June 30, 2011	June 30, 2010
Current liabilities:		
Accounts payable	$ 377,027	$ 450,770
Salaries payable	381,388	355,483
Compensated absences payable (Note 1)	258,591	235,952
Payroll taxes payable	152,487	147,582
Current portion of long-term debt (Note 8)	26,011	24,391
Total current liabilities	1,195,504	1,214,178
Long-term debt (Note 8)	313,817	339,828
Total liabilities	1,509,321	1,554,006
Net assets (Notes 1 and 3):		
Invested in capital assets, net of related debt	12,639,157	2,631,935
Restricted for capital asset acquisition	47,578	47,578
Restricted for specific operating activities	10,980	13,000
Unrestricted	4,822,304	4,510,783
Total net assets	17,520,019	7,203,296
Total liabilities and net assets	$ 19,029,340	$ 8,757,302

SCOTT COUNTY HOSPITAL, INC.

STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS

	Year ended June 30, 2011	2010
Operating revenues:		
Net patient service revenue (Note 1)	$ 11,633,271	$ 11,170,533
Outside services	268,028	49,853
Other	108,086	93,739
Total operating revenue	12,009,385	11,314,125
Operating expenses:		
Salaries	6,513,828	6,249,951
Employee benefits	1,415,184	1,291,332
Supplies and other	3,857,574	3,299,615
Depreciation and amortization (Note 1)	430,181	628,407
Total operating expenses	12,216,767	11,469,305
Operating loss	(207,382)	(155,180)
Nonoperating revenues (expenses):		
Tax revenues	638,891	658,735
Investment income	31,171	30,563
Interest expense	(22,779)	(30,636)
Noncapital grants and contributions	55,748	41,190
Gain on sale of capital assets	–	5,400
Total nonoperating revenues	703,031	705,252
Excess of revenues over expenses before capital grants and contributions	495,649	550,072
Capital grants and contributions	–	49,578
Transfers from Scott County for capital assets (Note 11)	10,233,304	827,212
Increase in net assets before cumulative effect of change in accounting principle	10,728,953	1,426,862
Cumulative effect of change in accounting principle (Note 12)	(412,230)	–
Increase in net assets	10,316,723	1,426,862
Net assets at beginning of year	7,203,296	5,776,434
Net assets at end of year	$ 17,520,019	$ 7,203,296

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

SCOTT COUNTY HOSPITAL, INC.

STATEMENTS OF CASH FLOWS

	Year ended June 30, 2011	2010
Cash flows from operating activities:		
Receipts from and on behalf of patients	$ 11,396,844	$ 10,967,448
Payments to suppliers and contractors	(3,974,016)	(3,165,860)
Payments to employees	(6,465,284)	(6,235,260)
Payments for employee benefits	(1,410,279)	(1,282,136)
Other receipts and payments, net	376,114	143,592
Net cash flows provided (used) by operating activities	(76,621)	427,784
Cash flows from noncapital financing activities:		
Property taxes for operations	638,891	658,735
Grants and contributions	55,748	41,190
Net cash flows provided by noncapital financing activities	694,639	699,925
Cash flows from capital and related financing activities:		
Purchases of property and equipment	(10,413,012)	(1,014,923)
Grants and contributions for capital assets	10,233,304	876,790
Proceeds from sale of capital assets	–	5,400
Principal payments on long-term debt	(24,391)	(610,155)
Interest payments on long-term debt	(22,779)	(30,636)
Net cash flows used by capital and related financing activities	(226,878)	(773,524)
Cash flows from investing activities:		
Net change in employee receivable	(8,302)	16,814
Investment income	31,171	30,563
Net cash flows provided by investing activities	22,869	47,377
Increase in cash and cash equivalents	414,009	401,562
Cash and cash equivalents at beginning of year	2,781,714	2,380,152
Cash and cash equivalents at end of year	$ 3,195,723	$ 2,781,714
Reconciliation of cash and cash equivalents to balance sheets:		
Cash and cash equivalents in current assets	$ 3,137,165	$ 2,721,136
Cash and cash equivalents in assets limited as to use	58,558	60,578
Total cash and cash equivalents	$ 3,195,723	$ 2,781,714

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

SCOTT COUNTY HOSPITAL, INC.

STATEMENTS OF CASH FLOWS - continued

	Year ended June 30, 2011	Year ended June 30, 2010
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating loss	$ (207,382)	$ (155,180)
Adjustments to reconcile operating loss to net cash flows used in operating activities:		
Depreciation and amortization	430,181	628,407
Bad debt expense	395,190	356,517
Net (increases) decreases in current assets:		
Accounts receivable	(903,120)	(362,667)
Inventories	(31,992)	32,974
Estimated third-party payor settlements	271,503	(196,935)
Other	(10,707)	23,295
Net increases (decreases) in current liabilities:		
Accounts payable	(73,743)	77,486
Salaries and wages payable	25,905	13,559
Compensated absences payable	22,639	1,132
Payroll taxes payable	4,905	9,196
Net cash provided (used) by operating activities	$ (76,621)	$ 427,784

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).

Goodwill

Upon acquisition of the Scott City Clinic, P.A., goodwill, which represents the excess of the cost of the clinic stock purchased over the fair value of the net assets of the Clinic, was transferred to the Hospital. Goodwill is tested for impairment annually and is reported at fair value (Note 12).

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 $126,765 and $76,855 of charity care for the years ended June 30, 2011 and 2010, 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 2010 financial statements to conform to the 2011 presentation. The reclassifications had no effect on the change in net assets.

Subsequent events

Subsequent events have been evaluated through January 19, 2012, 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 52% and 51% of net patient service revenue is from participation in the Medicare program for the years ended June 30, 2011 and 2010, 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,	
	2011	2010
Unrestricted:		
Cash on hand	$ 490	$ 490
Demand deposit accounts	1,903,030	1,745,713
Money market accounts	109,022	127,377
Savings accounts	1,124,623	847,556
	3,137,165	2,721,136
Assets whose use is limited:		
Cash on hand	1,000	1,000
Demand deposit accounts	47,578	48,078
Money market accounts	9,980	11,500
	58,558	60,578
	$ 3,195,723	$ 2,781,714

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

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

	June 30,	
	2011	2010
Emergency medical services	$ 8,446	$ 4,872
Indigent care	2,534	7,628
Equipment	47,578	47,578
Other	-	500
	$ 58,558	$ 60,578

Assets released from restrictions were as follows:

	Year ended June 30,	
	2011	2010
Emergency medical services	$ 5,923	$ 731
Hospital services and equipment	29,674	23,391
Indigent care	11,099	10,160
	$ 46,696	$ 34,282

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, 2011 consisted of cash on hand, demand deposit, money market, and savings accounts. At year end, the carrying amount of the Hospital's deposits was $3,194,233 with the bank balances of such accounts being $3,226,533. Of the bank balances, $800,000 was secured by federal depository insurance and $2,426,533 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 $2,447,538 at June 30, 2011.

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,	
	2011	2010
Medicare	45%	43%
Medicaid	3	3
Blue Cross	23	15
Commercial	10	12
Durable medical equipment	–	2
Self pay	19	25
	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 2011 and 2010 is summarized as follows:

	Year ended June 30,	
	2011	2010
Balance, beginning of year	$ 49,026	$ 46,059
Current year claims incurred and changes in estimates for claims incurred in prior years:		
Employer portion	480,453	392,625
Employee portion	166,648	129,987
Claims and expenses paid	(646,346)	(519,645)
Balance, end of year	$ 49,781	$ 49,026

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 $345,812 and $313,477 for 2011 and 2010, respectively.

7. CAPITAL ASSETS

Capital asset additions, disposals, and balances for the years ended June 30, 2011 and 2010 were as follows:

	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

7. CAPITAL ASSETS (continued)

	Balance At June 30, 2009	Additions	Disposals	Transfers	Balance At June 30, 2010
Capital assets not being depreciated:					
Land	$ 56,273	$ –	$ –	$ –	$ 56,273
Construction in progress	5,000	847,839	–	–	852,839
Total capital assets not being depreciated	61,273	847,839	–	–	909,112
Capital assets being depreciated:					
Land improvements	272,405	–	–	–	272,405
Buildings	3,256,030	–	–	–	3,256,030
Fixed equipment	1,521,352	5,267	–	–	1,526,619
Movable equipment	5,639,631	161,817	42,000	–	5,759,448
Total capital assets being depreciated	10,689,418	167,084	42,000	–	10,814,502
Less accumulated depreciation for:					
Land improvements	217,559	13,306	–	–	230,865
Buildings	2,129,777	114,823	–	–	2,244,600
Fixed equipment	1,331,092	36,589	–	–	1,367,681
Movable equipment	4,492,613	433,701	42,000	–	4,884,314
Total accumulated depreciation	8,171,041	598,419	42,000	–	8,727,460
Total capital assets being depreciated, net	2,518,377	(431,335)	–	–	2,087,042
Total capital assets, net	$ 2,579,650	$ 416,504	$ –	$ –	$ 2,996,154

8. LONG-TERM DEBT

The following is a summary of changes in long-term debt for the years ended June 30, 2011 and 2010:

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

	Balance At June 30, 2009	Additions	Reductions	Balance At June 30, 2010	Amounts Due Within One Year
Notes payable and capital lease obligations:					
Notes payable	$ 587,284	$ –	$ 587,284	$ –	$ –
Capital lease obligations	387,090	–	22,871	364,219	24,391
	$ 974,374	$ –	$ 610,155	$ 364,219	$ 24,391

The Hospital had notes payable to a local bank with interest rates that ranged from 6.50% to 6.75% and were collateralized by real estate, accounts receivable, equipment, and inventory. The notes were fully repaid in 2010.

The Hospital leases certain facilities and equipment under a capital lease that expires in 2021. Interest incurred under the lease was $22,779 and $24,299 for the years ended June 30, 2011 and 2010, respectively. The following is an analysis of the financial presentation of the capital lease:

	June 30, 2011	June 30, 2010
Buildings	$ 358,813	$ 358,813
Fixed equipment	118,927	118,927
Movable equipment	43,308	43,308
	521,048	521,048
Less accumulated depreciation	273,716	250,192
	$ 247,332	$ 270,856

The following is a schedule of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of June 30, 2011:

8. LONG-TERM DEBT (continued)

Year ending June 30:		
2012	$	47,170
2013		47,170
2014		47,170
2015		47,170
2016		47,170
2017		47,170
2018		47,170
2019		47,170
2020		47,170
2021		33,693
Net minimum lease payments		458,223
Less amount representing interest		118,395
Present value of net minimum lease payments		339,828
Less current portion		26,011
Long-term portion	$	313,817

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.

10. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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, 2011 and 2010 are as follows:

	June 30, 2011		June 30, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 3,195,723	$ 3,195,723	$ 2,781,714	$ 2,781,714
Accounts and other receivables	2,192,314	2,192,314	1,676,082	1,676,082
Estimated third-party payor settlements	131,210	131,210	402,713	402,713
Accounts and other payables	1,169,493	1,169,493	1,189,787	1,189,787
Long-term debt	339,828	379,171	364,219	410,491

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.

Construction for the project began in 2010 and is expected to be complete in early 2012. As capital expenditures are made by the County for the project, they are contributed to and capitalized by the Hospital as construction in progress. When the project is complete and placed in service, the construction in progress amounts will be reclassified to appropriate building and equipment accounts of the Hospital and 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,				
	2011				2010
	Inpatient	Outpatient	Swing Bed	Total	Total
Routine service	$ 966,398	$ 348,349	$ 686,415	$ 2,001,162	$ 2,005,724
Nursery	89,378	–	–	89,378	69,368
Operating room	250,833	768,896	6,283	1,026,012	969,523
Delivery room	42,605	–	–	42,605	45,170
Anesthesiology	77,377	234,670	2,338	314,385	301,847
Radiology	40,897	407,451	14,410	462,758	482,616
MRI	13,696	340,488	4,534	358,718	335,209
CT scan	100,742	1,097.295	12,227	1,210,264	1,241,067
Mammography	327	113,365	–	113,692	111,207
Nuclear medicine	–	260,582	–	260,582	227,686
Ultrasound	10,008	294,403	2,665	307,076	267,585
Laboratory	228,710	2,069,519	95,136	2,393,365	1,979,091
Blood administration	54,256	71,545	9,306	135,107	150,213
Respiratory therapy	340,803	52,704	239,936	633,443	730,836
Physical therapy	30,667	450,779	98,364	579,810	553,375
Occupational therapy	16,247	57,223	63,859	137,329	91,055
Speech therapy	1,260	1,260	560	3,080	6,308
Electrocardiology	57,120	489,062	11,331	557,513	520,379
Medical supplies	246,507	264,313	115,280	626,100	557,899
Pharmacy	489,768	1,084,216	477,122	2,051,106	1,714,309
Treatment room	9,968	325,049	822	335,839	339,566
Specialty clinics	434	171,588	692	172,714	123,323
Emergency room	15,124	515,238	–	530,362	479,958
Clinic	–	2,308,415	–	2,308,415	2,224,633
Cardiac rehabilitation	–	179,782	–	179,782	153,948
Durable medical equipment	–	202,400	–	202,400	322,022
Home health	–	134,674	–	134,674	120,335
Ambulance	15,257	221,126	2,576	238,959	201,555
	$ 3,098,382	$ 12,464,392	$ 1,843,856	17,406,630	16,325,807
Contractual adjustments				(5,203,762)	(4,690,034)
Charity care				(174,407)	(108,723)
Bad debts				(395,190)	(356,517)
Net patient service revenue				$ 11,633,271	$ 11,170,533

SCOTT COUNTY HOSPITAL, INC.
OPERATING EXPENSES BY FUNCTIONAL DIVISION

	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%

	Salaries	Employee Benefits	Supplies and other	Deprec-iation	Total	% of total operating expenses
	Year ended June 30, 2010					
Routine services:						
Acute and swing bed	$ 1,198,514	$ 252,484	$ 122,620	$ 38,950	$ 1,612,568	14.06%
Nursery	10,254	394	–	1,496	12,144	.11
Total routine services	1,208,768	252,878	122,620	40,446	1,624,712	14.17
Ancillary services:						
Operating room	145,648	28,808	165,579	15,318	355,353	3.10
Delivery room	12,704	507	2,067	5,652	20,930	.18
Anesthesia	395,005	68,679	17,974	22	481,680	4.20
Radiology	125,857	26,312	28,602	54,902	235,673	2.05
MRI	37	3	85,927	–	85,967	.75
CT scan	49,621	1,443	109,298	145,752	306,114	2.67
Mammography	31,820	659	11,884	1,395	45,758	.40
Nuclear medicine	15,050	575	93,646	–	109,271	.95
Ultrasound	24,982	621	13,299	358	39,260	.34
Laboratory	233,736	47,222	316,646	13,930	611,534	5.33
Blood administration	4,457	254	75,617	–	80,328	.70
Respiratory therapy	155,229	28,634	8,893	4,231	196,987	1.72
Physical therapy	192,461	34,323	11,137	3,161	241,082	2.10
Occupational therapy	32,185	3,398	7,673	–	43,256	.38
Speech therapy	–	–	4,714	–	4,714	.04
Electrocardiology	44,458	10,232	453	5,589	60,732	.53
Medical supplies	61,377	11,313	148,615	–	221,305	1.93
Pharmacy	72,232	10,978	574,403	3,051	660,664	5.76
Treatment room	23,101	1,394	1,220	–	25,715	.22
Specialty clinics	30,501	4,523	14,280	1,013	50,317	.44
Emergency room	68,036	3,501	13,973	199	85,709	.75
Clinic	1,427,367	270,347	187,505	67,132	1,952,351	17.03
Cardiac rehabilitation	44,623	8,176	8,712	1,582	63,093	.55
Durable medical equipment	84,338	17,220	136,039	1,479	239,076	2.08
Home health	99,304	25,951	11,597	–	136,852	1.19
Ambulance	106,327	11,570	31,576	34,853	184,326	1.61
Total ancillary services	3,480,456	616,643	2,081,329	359,619	6,538,047	57.00
General services:						
Nursing administration	88,813	25,669	12,158	–	126,640	1.10
Operation of plant	99,837	19,999	250,672	3,725	374,233	3.26
Laundry	39,932	9,888	21,620	1,104	72,544	.63
Housekeeping	132,851	27,820	31,455	644	192,770	1.68
Nutritional services	169,757	40,669	125,330	2,941	338,697	2.95
Health information	219,031	65,035	66,211	2,563	352,840	3.08
Administration and general	737,292	143,152	543,807	83,672	1,507,923	13.15
Employee benefits	73,214	89,579	44,413	–	207,206	1.81
Depreciation-fixed equipment and buildings	–	–	–	133,693	133,693	1.17
Total general services	1,560,727	421,811	1,095,666	228,342	3,306,546	28.83
Total expenses	$ 6,249,951	$ 1,291,332	$ 3,299,615	$ 628,407	$11,469,305	100.00%