

FINANCIAL STATEMENTS AND REPORT OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
ROOKS COUNTY HEALTH CENTER  
DECEMBER 31, 2010 AND 2009

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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, 2010 and 2009. Please read it in conjunction with the accompanying basic financial statements.

### Financial highlights

The Health Center's net assets increased by \$50,177 or 0.8 percent in 2010 and decreased by \$343,505 or 5.5 percent in 2009.

The Health Center reported operating income of \$320,462 and \$145,609 for 2010 and 2009, respectively.

### 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>2010</u>	<u>2009</u>	<u>2008</u>
<b>Assets</b>			
Current assets	\$ 4,771,335	\$ 3,557,615	\$ 3,678,871
Assets limited as to use	4,316,369	4,250,204	4,482,289
Capital assets, net	15,468,421	16,831,687	17,921,871
Other assets	<u>266,038</u>	<u>290,046</u>	<u>317,205</u>
<b>Total assets</b>	<b><u>\$ 24,822,163</u></b>	<b><u>\$ 24,929,552</u></b>	<b><u>\$ 26,400,236</u></b>
<b>Liabilities</b>			
Long-term obligations	\$ 16,945,000	\$ 17,301,718	\$ 17,926,684
Current liabilities	<u>1,891,763</u>	<u>1,692,611</u>	<u>2,194,824</u>
<b>Total liabilities</b>	<b><u>\$ 18,836,763</u></b>	<b><u>\$ 18,994,329</u></b>	<b><u>\$ 20,121,508</u></b>
<b>Net assets</b>	<b><u>\$ 5,985,400</u></b>	<b><u>\$ 5,935,223</u></b>	<b><u>\$ 6,278,728</u></b>

In aggregate, the Health Center's unrestricted cash and invested cash (cash and internally designated limited use assets) totaled \$3,812,720 and \$2,584,729 as of December 31, 2010 and 2009, respectively. These represent 155 days and 109 days of cash on hand as of December 31, 2010 and 2009, respectively. These ratio values are above the median values for other similar hospitals.

The Health Center's net patient accounts receivable were 25 percent of current assets as of December 31, 2010, and 24 percent as of December 31, 2009. They increased compared to net patient service revenue during 2010 and decreased during 2009. The average number of days of net patient revenue represented by them was 47 days and 36 days as of December 31, 2010 and 2009, respectively. These ratio values are below the median values for other similar hospitals.

At the end of 2010, the Health Center had \$15,468,421 invested in capital assets, net of accumulated depreciation. Net capital assets decreased by \$1,363,266 and \$1,090,184 in 2010 and 2009, respectively, primarily because depreciation expense exceeded the value of new capital assets placed in service.

No capital lease obligations were incurred during 2010 or 2009 to finance acquisition of equipment.

The Health Center's net assets increased \$50,177 or 0.8 percent during 2010 and decreased \$343,505 or 5.5 percent during 2009. The percentage of total assets financed with net assets, or equity, was 24.1 percent, 23.8 percent, and 23.8 percent as of December 31, 2010, 2009, and 2008, 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>2010</u>	<u>2009</u>	<u>2008</u>
Operating revenues	\$ 9,554,487	\$ 9,065,533	\$ 7,478,814
Operating expenses	<u>9,234,025</u>	<u>8,919,924</u>	<u>7,714,941</u>
Operating income (loss)	320,462	145,609	(236,127)
Interest expense	(1,215,481)	(1,280,218)	(341,407)
Property taxes	414,132	393,647	393,768
Other nonoperating revenues	90,106	103,367	178,255
Grants and contributions	<u>440,958</u>	<u>294,090</u>	<u>420,707</u>
Change in net assets	<u>\$ 50,177</u>	<u>\$ (343,505)</u>	<u>\$ 415,196</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 income of \$45,870 for 2010, a loss of \$219,058 for 2009, and a loss of \$595,286 for 2008.

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Inpatient services	\$ 3,173,733	\$ 2,409,926	\$ 2,130,497
Outpatient services	9,301,328	7,591,721	7,139,221
Physician services	<u>475,106</u>	<u>457,410</u>	<u>507,101</u>
Gross patient service revenue	12,950,167	10,459,057	9,776,819
Contractual adjustments	(3,228,206)	(1,593,815)	(2,437,872)
Medicaid DSH payments	274,592	364,667	359,159
Provision for bad debts	(474,883)	(301,355)	(268,163)
Charity care	<u>(233,553)</u>	<u>(95,132)</u>	<u>(142,800)</u>
Net patient service revenue	<u>\$ 9,288,117</u>	<u>\$ 8,833,422</u>	<u>\$ 7,287,143</u>

The Health Center raised its charge rates by 4.5 percent on September 1, 2010, and by 4.5 percent on September 1, 2009. 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 31.7 percent during 2010 and increased by 13.1 percent during 2009. The combined total of acute, nursery, and swing-bed patient days increased by 15.3 percent and decreased by 2.4 percent during 2010 and 2009, respectively. Gross revenues from outpatient services increased by 22.5 percent and 6.3 percent during 2010 and 2009, respectively.

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 24.9 percent, 15.2 percent, and 24.9 percent during 2010, 2009, and 2008, 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 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, 3.8 percent, and 4.2 percent of gross patient service revenue during 2010, 2009, and 2008, respectively. These percentages are below those for similar hospitals.

Employee salaries and wages increased by \$47,268 or 1.3 percent during 2010 and \$147,123 or 4.2 percent during 2009. These changes are functions of changes in numbers of employees and in pay rates. Total full-time equivalent employees decreased by 8.1 percent and increased by 4.8 percent during 2010 and 2009, respectively. Average pay rates increased by 10.2 percent during 2010 and decreased by 0.5 percent during 2009.

The cost of employee benefits represented 24.3 percent of salaries and wages during 2010 as compared to 28.3 percent during 2009. The decrease in employee benefit expense in 2010 is largely the result of a change in the Health Center's pension plan effective January 1, 2010. In addition, safety initiatives at the Health Center have resulted in a decrease in worker's compensation insurance premiums during 2010.

Supplies and other expenses increased \$469,866 or 17.5 percent during 2010, as compared to an increase of \$55,947 or 2.1 percent during 2009. The 2010 and 2009 changes are 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, 2010 and 2009, 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, 2010 and 2009, 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.

Management's discussion and analysis on pages 1 through 4 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Wending Noe Nelson & Johnson LLC*  
Topeka, Kansas  
May 10, 2011

FINANCIAL STATEMENTS

ROOKS COUNTY HEALTH CENTER  
BALANCE SHEETS  
December 31,

ASSETS

	<u>2010</u>	<u>2009</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 2,367,334	\$ 950,356
Assets limited as to use	538,452	771,640
Patient accounts receivable, net of allowance for uncollectible accounts of \$377,006 in 2010 and \$377,008 in 2009	1,194,508	868,294
Estimated third-party payor settlements		289,653
Property taxes receivable	397,904	392,129
Inventories	171,429	162,985
Prepaid expenses	101,708	119,934
Advances to physicians		2,624
Total current assets	<u>4,771,335</u>	<u>3,557,615</u>
<b>ASSETS LIMITED AS TO USE</b>		
Internally designated	1,445,386	1,634,373
Under indenture agreements - held by trustee	2,451,908	2,648,485
By contributors and grantors for capital asset acquisitions	722,973	504,432
By contributors to be held in perpetuity	<u>234,554</u>	<u>234,554</u>
	4,854,821	5,021,844
Less amounts required to meet current obligations	<u>538,452</u>	<u>771,640</u>
	<u>4,316,369</u>	<u>4,250,204</u>
<b>CAPITAL ASSETS - NET</b>	<u>15,468,421</u>	<u>16,831,687</u>
<b>OTHER ASSETS</b>		
Deferred financing costs, less accumulated amortization of \$106,853 in 2010 and \$82,845 in 2009	<u>266,038</u>	<u>290,046</u>
	<u>\$ 24,822,163</u>	<u>\$ 24,929,552</u>

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS

	<u>2010</u>	<u>2009</u>
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ -	\$ 235,700
Current portion of capital lease obligations	13,725	97,966
Accounts payable	128,940	112,479
Capital asset acquisitions payable	134,590	100,000
Estimated third-party payor settlements	500,864	
Accrued salaries and benefits	113,030	117,034
Accrued compensated absences	164,258	162,703
Deferred property tax revenue	397,904	392,129
Deferred grant revenue		4,586
Accrued interest payable	438,452	470,014
	<u>1,891,763</u>	<u>1,692,611</u>
 Total current liabilities		
	<u>1,891,763</u>	<u>1,692,611</u>
 LONG-TERM DEBT, less current maturities	<u>16,945,000</u>	<u>17,288,000</u>
 CAPITAL LEASE OBLIGATIONS, less current portion	<u>-</u>	<u>13,718</u>
 NET ASSETS		
Invested in capital assets - net of related debt	316,025	1,059,866
Restricted		
For debt service	598,016	830,862
Expendable for capital asset acquisitions	901,984	643,951
Nonexpendable permanent endowments	234,554	234,554
Unrestricted	3,934,821	3,165,990
	<u>5,985,400</u>	<u>5,935,223</u>
	<u>\$ 24,822,163</u>	<u>\$ 24,929,552</u>

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

	<u>2010</u>	<u>2009</u>
Operating revenues		
Net patient service revenue	\$ 9,288,117	\$ 8,833,422
Other revenue	<u>266,370</u>	<u>232,111</u>
Total operating revenues	<u>9,554,487</u>	<u>9,065,533</u>
Operating expenses		
Salaries and wages	3,692,331	3,645,063
Employee benefits	897,599	1,031,094
Supplies and other	3,147,495	2,677,629
Depreciation and amortization	<u>1,496,600</u>	<u>1,566,138</u>
Total operating expenses	<u>9,234,025</u>	<u>8,919,924</u>
Operating income	<u>320,462</u>	<u>145,609</u>
Nonoperating revenues and expenses		
Property taxes	414,132	393,647
Investment income	69,644	88,674
Interest expense	(1,215,481)	(1,280,218)
Noncapital grants and contributions	196,640	182,026
Gain on disposal of capital assets	<u>20,462</u>	<u>14,693</u>
Total nonoperating revenues and expenses	<u>(514,603)</u>	<u>(601,178)</u>
Excess of expenses over revenues before capital grants and contributions	(194,141)	(455,569)
Capital grants and contributions	<u>244,318</u>	<u>112,064</u>
Change in net assets	50,177	(343,505)
Net assets at beginning of year	<u>5,935,223</u>	<u>6,278,728</u>
Net assets at end of year	<u>\$ 5,985,400</u>	<u>\$ 5,935,223</u>

The accompanying notes are an integral part of these statements.

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

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Receipts from and on behalf of patients	\$ 9,752,420	\$ 9,430,879
Payments to or on behalf of employees	(4,592,379)	(4,768,565)
Payments for supplies and services	(3,118,628)	(2,634,072)
Other receipts and payments	<u>266,370</u>	<u>232,111</u>
Net cash provided by operating activities	<u>2,307,783</u>	<u>2,260,353</u>
Cash flows from noncapital financing activities		
Property taxes received	414,132	393,647
Noncapital grants and contributions	<u>196,640</u>	<u>182,026</u>
Net cash provided by noncapital financing activities	<u>610,772</u>	<u>575,673</u>
Cash flows from capital and related financing activities		
Acquisition of capital assets	(106,102)	(679,753)
Proceeds from disposal of capital assets	27,820	14,693
Capital grants and contributions	80,551	275,346
Payments on capital lease obligations	(97,959)	(163,869)
Principal payments on long-term debt	(578,700)	(616,300)
Interest paid	<u>(1,223,035)</u>	<u>(1,261,586)</u>
Net cash used by capital and related financing activities	<u>(1,897,425)</u>	<u>(2,431,469)</u>
Cash flows from investing activities		
Decrease in assets limited as to use	274,948	211,929
Investment income received	<u>120,900</u>	<u>120,432</u>
Net cash provided by investing activities	<u>395,848</u>	<u>332,361</u>
Change in cash	1,416,978	736,918
Cash at beginning of year	<u>950,356</u>	<u>213,438</u>
Cash at end of year	<u>\$ 2,367,334</u>	<u>\$ 950,356</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>2010</u>	<u>2009</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 320,462	\$ 145,609
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	1,496,600	1,566,138
Provision for bad debts	474,883	301,355
Amortization of physician advances and guarantees	2,624	142,783
Changes in		
Patient accounts receivable	(801,097)	(273,031)
Inventories and prepaid expenses	9,782	(48,888)
Accounts payable and accrued expenses	14,012	(142,746)
Estimated third-party payor settlements	<u>790,517</u>	<u>569,133</u>
Net cash provided by operating activities	<u>\$ 2,307,783</u>	<u>\$ 2,260,353</u>

The accompanying notes are an integral part of these statements.

ROOKS COUNTY HEALTH CENTER  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2010 and 2009

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 2010 and 2009. 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, 2010 and 2009

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) 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 original issue premiums and discounts, and 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, 2010 and 2009

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 10, 2011, which is the date the financial statements were available to be issued.

ROOKS COUNTY HEALTH CENTER  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
December 31, 2010 and 2009

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 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 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 Health Policy Authority (KHPA). The Health Center's Medicaid cost reports have been audited or reviewed by KHPA through December 31, 2008.

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 2010 and 2009.

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, 2010 and 2009

NOTE B - REIMBURSEMENT PROGRAMS - Continued

A summary of gross and net patient service revenue follows:

	<u>2010</u>	<u>2009</u>
Gross patient service revenue	\$12,950,167	\$10,459,057
Contractual adjustments	(3,228,206)	(1,593,815)
Medicaid disproportionate share payments	274,592	364,667
Provision for bad debts	(474,883)	(301,355)
Charity care	<u>(233,553)</u>	<u>(95,132)</u>
 Net patient service revenue	 <u>\$ 9,288,117</u>	 <u>\$ 8,833,422</u>

Revenue from the Medicare and Medicaid programs accounted for approximately 62 percent and 6 percent, respectively, of the Health Center's net patient service revenue during 2010, and 65 percent and 7 percent, respectively, of the Health Center's net patient service revenue during 2009. 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, 2010, the carrying amount of the Health Center's bank deposits, including certificates of deposit, was \$3,846,155 and the bank balances were \$3,910,624. Of the bank balances, \$838,103 was covered by federal depository insurance and \$3,072,521 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	\$ 2,366,984
Assets limited as to use	
Internally designated	1,244,617
By contributors to be held in perpetuity	<u>234,554</u>
 Total bank deposits	 <u>\$ 3,846,155</u>

ROOKS COUNTY HEALTH CENTER  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
December 31, 2010 and 2009

NOTE D - ASSETS LIMITED AS TO USE

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

	<u>2010</u>	<u>2009</u>
Internally designated		
Cash	\$ 1,135,591	\$ 1,346,376
Certificates of deposit	109,026	107,327
Cash held by Rooks County Healthcare Foundation for the benefit of the Health Center	<u>200,769</u>	<u>180,670</u>
	<u>\$ 1,445,386</u>	<u>\$ 1,634,373</u>
Under indenture agreements - held by trustee		
Cash and money market funds	\$ 820,214	\$ 965,159
U.S. Government Agency obligations	1,608,368	1,660,000
Accrued interest receivable	<u>23,326</u>	<u>23,326</u>
	<u>\$ 2,451,908</u>	<u>\$ 2,648,485</u>
By contributors and grantors for capital asset acquisitions		
Cash	\$ -	\$ 4,586
Cash held by Rooks County Healthcare Foundation for the benefit of the Health Center	460,874	396,928
Farmland	213,481	
Pledges receivable	<u>48,618</u>	<u>102,918</u>
	<u>\$ 722,973</u>	<u>\$ 504,432</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>2010</u>	<u>2009</u>
Project fund		
Series 2006A	\$ 279,011	\$ 244,105
Debt service fund		
Principal accounts		
Series 2006B		151,264
Interest accounts		
Series 2006A	487,203	487,754
Series 2006B		28,036
Debt service reserve fund	<u>1,685,694</u>	<u>1,737,326</u>
	<u>\$ 2,451,908</u>	<u>\$ 2,648,485</u>

ROOKS COUNTY HEALTH CENTER  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
December 31, 2010 and 2009

NOTE D - ASSETS LIMITED AS TO USE - Continued

The project fund is to be used to pay costs of constructing a new hospital facility. The debt service fund is to be used to make principal and interest payments on the 2006 bonds as they become due. The debt service reserve fund is available to pay principal and interest on the 2006 bonds in the event there are insufficient monies in the debt service fund to make such payments.

NOTE E - CAPITAL ASSETS

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

	2010			
	Beginning balance	Additions	Retirements	Ending balance
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	3,373,871	57,068		3,430,939
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	1,687,064	336,087		2,023,151
	<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>
	2009			
	Beginning balance	Additions	Retirements	Ending balance
Land	\$ 23,000	\$ -	\$ -	\$ 23,000
Land improvements	1,494,819	16,114		1,510,933
Buildings and fixed equipment	16,184,250	165,234		16,349,484
Major movable equipment	3,067,686	306,185		3,373,871
Totals at historical cost	<u>20,769,755</u>	<u>487,533</u>	<u>-</u>	<u>21,257,288</u>
Less accumulated depreciation and amortization				
Land improvements	39,238	158,886		198,124
Buildings and fixed equipment	1,474,763	1,065,650		2,540,413
Major movable equipment	1,345,462	341,602		1,687,064
	<u>2,859,463</u>	<u>1,566,138</u>	<u>-</u>	<u>4,425,601</u>
	17,910,292	(1,078,605)	-	16,831,687
Construction in progress	11,579	(11,579)		
Capital assets, net	<u>\$17,921,871</u>	<u>\$ (1,090,184)</u>	<u>\$ -</u>	<u>\$16,831,687</u>

ROOKS COUNTY HEALTH CENTER  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
December 31, 2010 and 2009

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>2010</u>	<u>2009</u>
Buildings and fixed equipment	\$ -	\$ 632,472
Major movable equipment	<u>116,958</u>	<u>159,424</u>
	116,958	791,896
Less accumulated amortization	<u>105,764</u>	<u>741,394</u>
	<u>\$ 11,194</u>	<u>\$ 50,502</u>

The following is a yearly schedule of future minimum lease payments at December 31, 2010, under 5.00 percent to 5.08 percent capital leases issued during 2006 in the original amount of \$119,272:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	<u>\$ 13,725</u>	<u>\$ 210</u>	\$ 13,935
Less amounts representing interest			<u>(210)</u>
Present value of net minimum lease payments			13,725
Less current portion			<u>13,725</u>
			<u>\$ -</u>

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

Principal outstanding at January 1, 2009	\$ 275,553
Payments on capital lease obligations	<u>(163,869)</u>
Principal outstanding at December 31, 2009	111,684
Payments on capital lease obligations	<u>(97,959)</u>
Principal outstanding at December 31, 2010	<u>\$ 13,725</u>

ROOKS COUNTY HEALTH CENTER  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
December 31, 2010 and 2009

NOTE G - LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2010</u>	<u>2009</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	\$16,945,000	\$16,945,000
8.25% Plainville Rural Hospital District No. 1 Taxable Hospital Revenue Bonds, Series 2006B, issued on August 31, 2006, in the original amount of \$1,500,000, due serially through August 15, 2012, with principal payments beginning on August 15, 2008	<u>                    </u>	<u>578,700</u>
Total long-term debt	16,945,000	17,523,700
Less current maturities of long-term debt	<u>                    </u>	<u>235,700</u>
	<u>\$16,945,000</u>	<u>\$17,288,000</u>

On August 31, 2006, the Health Center issued its Hospital Revenue Bonds, Series 2006A, in the principal amount of \$16,945,000, and its Taxable Hospital Revenue Bonds, Series 2006B, in the principal amount of \$1,500,000, 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.

The indenture agreement for the 2006 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

ROOKS COUNTY HEALTH CENTER  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 December 31, 2010 and 2009

NOTE G - LONG-TERM DEBT - Continued

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 2010 was 162 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>
2011	\$ -	\$ 1,169,205	\$ 1,169,205
2012	285,000	1,169,205	1,454,205
2013	445,000	1,149,540	1,594,540
2014	480,000	1,118,835	1,598,835
2015	510,000	1,085,715	1,595,715
2016-2020	3,140,000	4,848,630	7,988,630
2021-2025	4,410,000	3,602,145	8,012,145
2026-2030	6,170,000	1,853,340	8,023,340
2031	<u>1,505,000</u>	<u>103,845</u>	<u>1,608,845</u>
	<u>\$ 16,945,000</u>	<u>\$ 16,100,460</u>	<u>\$ 33,045,460</u>

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

Outstanding at January 1, 2009	\$ 18,140,000
Principal payments	<u>(616,300)</u>
Outstanding at December 31, 2009	17,523,700
Principal payments	<u>(578,700)</u>
Outstanding at December 31, 2010	<u>\$ 16,945,000</u>

Total interest costs are summarized as follows:

	<u>2010</u>	<u>2009</u>
Interest incurred	\$ 1,191,473	\$ 1,256,178
Amortization of deferred financing costs	<u>24,008</u>	<u>24,040</u>
Interest expense	<u>\$ 1,215,481</u>	<u>\$ 1,280,218</u>

ROOKS COUNTY HEALTH CENTER  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 December 31, 2010 and 2009

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. Prior to January 1, 2010, covered employees were required to contribute 2 percent of the first \$12,000 of covered compensation plus 4 percent of the covered compensation exceeding \$12,000, and the Health Center contributed 4 percent of the first \$12,000 of covered compensation plus 9 percent of the covered compensation exceeding \$12,000. As of January 1, 2010, 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 2010 were approximately \$298,000 which consisted of \$121,000 from the Health Center and \$177,000 from employees. Contributions to the Plan for 2009 were approximately \$388,000 which consisted of \$237,000 from the Health Center and \$151,000 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>2010</u>	<u>2009</u>
Medicare	40%	33%
Medicaid	3	8
Blue Cross	25	18
Other third-party payors	12	13
Self-pay	<u>20</u>	<u>28</u>
	<u>100%</u>	<u>100%</u>

NOTE J - RISK MANAGEMENT

For the years ended December 31, 2010 and 2009, 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

ROOKS COUNTY HEALTH CENTER  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
December 31, 2010 and 2009

NOTE J - RISK MANAGEMENT - Continued

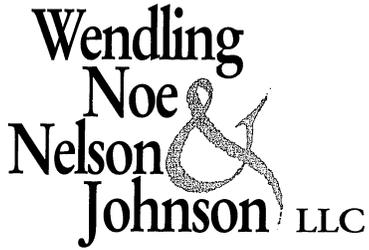
excess of the underlying limits set forth above in the amount of \$1,000,000 per occurrence with an aggregate amount in any policy year of \$3,000,000. All coverage is on a claims-made basis. The above policies have been renewed through January 1, 2012. The Health Center intends to renew this coverage 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 - COMMITMENTS

As of December 31, 2010, the Health Center has commitments for acquisition of capital assets totaling approximately \$275,000.

SUPPLEMENTAL 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. Eiche, CPA

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
ON SUPPLEMENTAL INFORMATION

Board of Directors  
Rooks County Health Center

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole of Rooks County Health Center for the years ended December 31, 2010 and 2009, which are presented in the preceding section of this report. The supplemental information presented on pages 24 through 28 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 audit procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole, except that no opinion is expressed as to the adequacy of insurance coverage.

*Wendling Noe Nelson & Johnson LLC*  
Topeka, Kansas  
May 10, 2011

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

	2010			2009		
	<u>Inpatient</u>	<u>Outpatient</u>	<u>Total</u>	<u>Inpatient</u>	<u>Outpatient</u>	<u>Total</u>
Acute care	\$ 373,850	\$ -	\$ 373,850	\$ 248,141	\$ -	\$ 248,141
Swing-bed care	562,494		562,494	266,266		266,266
Observation	5,388	161,049	166,437	5,405	163,994	169,399
Nursery	26,109		26,109	16,220		16,220
Operating and recovery room	50,309	1,005,888	1,056,197	32,085	826,239	858,324
Delivery room	81,767	3,658	85,425	95,810		95,810
Anesthesiology	47,061	438,995	486,056	39,704	329,129	368,833
Radiology	173,808	2,703,863	2,877,671	174,694	2,139,416	2,314,110
Laboratory	206,811	1,479,973	1,686,784	180,633	1,299,180	1,479,813
Respiratory therapy	190,367	13,774	204,141	107,415	6,325	113,740
Physical therapy	120,309	536,275	656,584	131,736	568,239	699,975
Occupational therapy	53,921	123,007	176,928			
Speech therapy	15,905	20,015	35,920	132		132
Electrocardiology	4,864	77,356	82,220	6,369	68,764	75,133
Cardiac rehabilitation		262,125	262,125		173,258	173,258
Wound care		56,285	56,285		18,706	18,706
Monitor	6,458	17,201	23,659	10,988	18,162	29,150
Medical supplies	182,806	344,331	527,137	141,434	311,463	452,897
Pharmacy	1,050,724	1,044,289	2,095,013	938,812	883,856	1,822,668
Emergency room	20,782	1,013,244	1,034,026	14,082	784,990	799,072
Clinic		475,106	475,106		457,410	457,410
<b>Gross patient service revenue</b>	<b><u>\$ 3,173,733</u></b>	<b><u>\$ 9,776,434</u></b>	<b><u>\$ 12,950,167</u></b>	<b><u>\$ 2,409,926</u></b>	<b><u>\$ 8,049,131</u></b>	<b><u>\$ 10,459,057</u></b>

ROOKS COUNTY HEALTH CENTER

OTHER REVENUE

Year ended December 31,

	<u>2010</u>	<u>2009</u>
Independent living	\$ 77,794	\$ 92,256
Cafeteria sales	32,066	35,634
Transportation cost reimbursements	48,369	39,245
Miscellaneous	<u>108,141</u>	<u>64,976</u>
	<u>\$ 266,370</u>	<u>\$ 232,111</u>

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

	2010			2009		
	Salaries and wages	Supplies and other	Total	Salaries and wages	Supplies and other	Total
Routine care	\$ 916,618	\$ 96,639	\$ 1,013,257	\$ 842,718	\$ 86,106	\$ 928,824
Nursery	9,934	3,304	13,238	10,888	3,258	14,146
Operating and recovery room	67,404	76,105	143,509	86,356	60,964	147,320
Delivery room	16,172	2,447	18,619	13,790	1,349	15,139
Anesthesiology		237,145	237,145		185,796	185,796
Radiology	272,462	317,959	590,421	319,578	228,717	548,295
Laboratory	293,202	284,199	577,401	299,038	258,924	557,962
Respiratory therapy	45,797	942	46,739	19,886	1,566	21,452
Physical therapy	173,735	5,531	179,266	184,573	5,963	190,536
Occupational therapy	46,744	26,590	73,334			
Speech therapy	20,578	4,914	25,492			
Electrocardiology	6,756	519	7,275	7,854	521	8,375
Cardiac rehabilitation	66,658	81,122	147,780	62,979	67,965	130,944
Wound care	8,240	3,376	11,616	9,384	1,181	10,565
Medical supplies	82,905	49,493	132,398	58,863	41,761	100,624
Pharmacy	78,051	342,940	420,991	82,083	252,091	334,174
Emergency room	50,631	304,036	354,667	77,301	258,200	335,501
Clinic	190,027	100,355	290,382	183,477	216,231	399,708
Transportation	34,253	(1,621)	32,632	31,856	(1,928)	29,928
Independent living	3,833	30,038	33,871	2,690	15,159	17,849
Administration and general	783,696	672,286	1,455,982	742,161	601,913	1,344,074
Marketing	79,353	398	79,751	74,084	2,172	76,256
Plant operation	89,113	341,381	430,494	106,450	255,163	361,613
Laundry	16,154	7,644	23,798	15,507	5,278	20,785
Housekeeping	56,455	17,744	74,199	74,036	14,560	88,596
Dietary	150,158	91,219	241,377	158,893	86,687	245,580
Nursing administration	63,025	11,883	74,908	85,675	147	85,822
Medical records	70,377	38,907	109,284	94,943	27,805	122,748
Employee benefits		897,599	897,599		1,031,094	1,031,094
Depreciation and amortization		1,496,600	1,496,600		1,566,138	1,566,138
	<u>\$ 3,692,331</u>	<u>\$ 5,541,694</u>	<u>\$ 9,234,025</u>	<u>\$ 3,645,063</u>	<u>\$ 5,274,861</u>	<u>\$ 8,919,924</u>

ROOKS COUNTY HEALTH CENTER  
BALANCE IN DEPOSITORY COMPARED WITH DEPOSITORY SECURITY  
December 31, 2010

	<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	\$3,228,941	\$ 250,000	\$2,978,941	\$3,278,954	\$ 300,013
Time deposits with interest rates greater than 0.25%	343,580	250,000	93,580	93,580	-
Time deposits with interest rates less than 0.25%	338,103	338,103	-	-	-

ROOKS COUNTY HEALTH CENTER  
SUMMARY OF INSURANCE COVERAGE  
December 31, 2010

Insurer	Type of coverage	Coverage amount	Premium	Term
KaMMCO Insurance Company	Hospital professional liability	\$200,000/\$600,000	\$11,729	January 1, 2011 to
	General liability and umbrella hospital professional liability	\$1,000,000/\$3,000,000	\$4,803	January 1, 2012
	Personal injury/property	\$1,000,000/\$3,000,000	\$1,173	
	Employee benefit liability	\$250,000/\$250,000	\$527	
Kansas Health Care Provider Insurance Availability Act	Excess hospital professional liability	\$800,000/\$2,400,000	\$4,692	January 1, 2011 to January 1, 2012
Travelers Casualty & Surety Company of America	Directors, Officers, and Trustees liability	\$1,000,000/\$1,000,000	\$6,144	January 1, 2011 to January 1, 2012
EMC Insurance Companies	Accounts receivable	\$500,000/\$500,000	\$96	January 1, 2011 to January 1, 2012
EMC Insurance Companies	Building and personal property Equipment breakdown	\$20,863,621 \$20,863,621	\$21,202	January 1, 2011 to January 1, 2012
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	\$3,262	January 1, 2011 to January 1, 2012
EMC Insurance Companies	Commercial crime	\$100,000	\$310	January 1, 2011 to January 1, 2012
EMC Insurance Companies	Outdoor equipment	\$120,000	\$414	January 1, 2011 to January 1, 2012
ACE Property and Casualty Insurance Company	Helipad general liability	\$5,000,000/\$5,000,000	\$2,380	January 1, 2011 to January 1, 2012
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	\$45,864	January 1, 2011 to January 1, 2012