

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ROOKS COUNTY HEALTH CENTER
DECEMBER 31, 2012 AND 2011

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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, 2012 and 2011. Please read it in conjunction with the accompanying basic financial statements.

Financial highlights

The Health Center's net position decreased by \$230,494 or 4.2 percent in 2012 and decreased by \$528,987 or 8.8 percent in 2011.

The Health Center reported an operating loss of \$443,200 for 2012 and operating loss of \$35,223 for 2011.

Using these financial statements

The Health Center's financial statements consist of three statements - a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; 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 Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position 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 position and changes in them. The Health Center's net position - 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 position 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 position

The Health Center's statements of net position as of the end of each of the last three years are summarized as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Assets			
Current assets	\$ 4,317,732	\$ 5,232,794	\$ 4,771,335
Assets limited as to use	3,088,354	4,194,606	4,316,369
Capital assets, net	13,927,355	14,354,391	15,468,421
Other assets	<u>237,566</u>	<u>260,351</u>	<u>266,038</u>
Total assets	<u>\$ 21,571,007</u>	<u>\$ 24,042,142</u>	<u>\$ 24,822,163</u>
Liabilities			
Long-term obligations	\$ 14,119,809	\$ 16,528,657	\$ 16,945,000
Current liabilities	<u>2,225,279</u>	<u>2,057,072</u>	<u>1,891,763</u>
Total liabilities	<u>\$ 16,345,088</u>	<u>\$ 18,585,729</u>	<u>\$ 18,836,763</u>
Net position	<u>\$ 5,225,919</u>	<u>\$ 5,456,413</u>	<u>\$ 5,985,400</u>

In aggregate, the Health Center's unrestricted cash and invested cash (cash and internally designated limited use assets) totaled \$2,443,266 and \$4,065,643 as of December 31, 2012 and 2011, respectively. These represent 81 days and 151 days of cash on hand as of December 31, 2012 and 2011, respectively. The decrease in this ratio value is due to a principal payment in connection with the refunding of debt during 2012. The median value of this ratio is 110 days for other similar hospitals.

The Health Center's net patient accounts receivable were 39 percent of current assets as of December 31, 2012, and 26 percent as of December 31, 2011. They increased compared to net patient service revenue during both 2012 and 2011. The average number of days of net patient revenue represented by them was 56 days and 50 days as of December 31, 2012 and 2011, respectively. These ratio values are comparable to the median values for other similar hospitals.

At the end of 2012, the Health Center had \$13,927,355 invested in capital assets, net of accumulated depreciation. Net capital assets decreased by \$427,036 and \$1,114,030 in 2012 and 2011, respectively, primarily because depreciation expense exceeded the value of new capital assets placed in service.

During June 2011, the Health Center refunded a portion of the Series 2006A bonds outstanding through the issuance of the Series 2011 bonds. During August 2012, the Health Center refunded the remaining portion of the Series 2006A bonds outstanding through the issuance of the Series 2012 bonds. We entered into these transactions for the purpose of lowering our overall borrowing costs.

The Health Center's net position decreased \$230,494 or 4.2 percent during 2012 and decreased \$528,987 or 8.8 percent during 2011. The percentage of total assets financed with net position, or equity, was 24.2 percent, 22.7 percent, and 24.1 percent as of December 31, 2012, 2011, and 2010, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Operating results and changes in net position

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating revenues	\$ 11,253,399	\$ 10,149,546	\$ 9,554,487
Operating expenses	<u>11,696,599</u>	<u>10,184,769</u>	<u>9,234,025</u>
Operating income (loss)	(443,200)	(35,223)	320,462
Interest expense	(872,443)	(1,161,726)	(1,215,481)
Property taxes	420,399	412,912	414,132
Other nonoperating revenues	452,721	113,490	90,106
Grants and contributions	<u>212,029</u>	<u>141,560</u>	<u>440,958</u>
Change in net position	<u>\$ (230,494)</u>	<u>\$ (528,987)</u>	<u>\$ 50,177</u>

The first, and most significant, component of the overall change in the Health Center's net position is its operating income or loss - generally, the difference between net patient service revenue and the expenses incurred to perform those services. The Health Center's operating results are significantly affected by the Medicaid disproportionate share hospital (DSH) payments. Leaving out the DSH payments, the Health Center's operating results were a loss of \$797,019 for 2012, a loss of \$340,075 for 2011, and income of \$45,870 for 2010.

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Inpatient services	\$ 4,266,370	\$ 4,419,972	\$ 3,173,733
Outpatient services	10,971,361	9,148,132	9,301,328
Physician services	<u>1,340,707</u>	<u>672,285</u>	<u>475,106</u>
Gross patient service revenue	16,578,438	14,240,389	12,950,167
Contractual adjustments	(5,067,359)	(3,911,112)	(3,228,206)
Medicaid DSH payments	353,819	304,852	274,592
Provision for bad debts	(619,399)	(640,191)	(474,883)
Charity care	<u>(311,579)</u>	<u>(139,736)</u>	<u>(233,553)</u>
Net patient service revenue	<u>\$ 10,933,920</u>	<u>\$ 9,854,202</u>	<u>\$ 9,288,117</u>

The Health Center raised its charge rates by 4.5 percent on September 1, 2012, and by 4.5 percent on September 1, 2011. 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 decreased 3.5 percent during 2012 and increased by 39.3 percent during 2011. The combined total of acute, nursery, and swing-bed patient days decreased by 7.9 percent during 2012 and increased by 13.4 percent during 2011. Gross revenues from outpatient services increased by 19.9 percent and decreased by 1.6 percent during 2012 and 2011, respectively. Gross revenues from physician services increased by 99.4 percent during 2012 and increased 41.5 percent during 2011. The opening of the Docs Without Delay Clinic for six days a week on September 1, 2011, was the primary cause of the significant increase in physician services.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

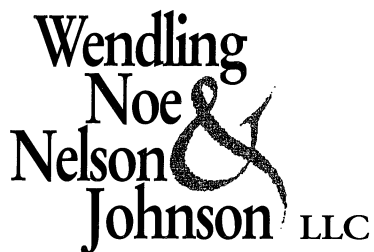
The Health Center has agreements with various third-party payors that provide for payments to it at amounts different from its established charge rates. These differences are referred to as contractual adjustments. Contractual adjustments as a percentage of gross revenue were 30.6 percent, 27.5 percent, and 24.9 percent during 2012, 2011, and 2010, 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 rose in 2011 and 2012 because of an increase 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 5.6 percent, 5.5 percent, and 5.5 percent of gross patient service revenue during 2012, 2011, and 2010, respectively. These percentages are below those for similar hospitals.

Salaries and wages increased by \$558,435 or 13.9 percent during 2012 and \$332,496 or 9.0 percent during 2011. These changes are functions of changes in numbers of employees and in pay rates. Total full-time equivalent employees increased 8.0 percent and increased 5.3 percent during 2012 and 2011, respectively. Average pay rates increased by 5.5 percent during 2012 and increased by 3.5 percent during 2011.

The cost of employee benefits represented 25.2 percent of salaries and wages during 2012 as compared to 24.7 percent during 2011.

Supplies and other expenses increased \$769,268 or 21.1 percent during 2012, as compared to an increase of \$501,755 or 15.9 percent during 2011. The 2012 increase included \$123,099 of additional physician fees due to the opening of the Docs Without Delay Clinic for six days a week on September 1, 2011, and an additional \$206,889 for physician recruitment expenses. The 2012 increase also included \$98,747 of additional contract labor for emergency room physician coverage. All other supplies and other expenses increased \$340,533 or 10.9 percent during 2012. In 2011, the increase included additional physician fees from opening the Docs Without Delay Clinic for six days a week on September 1, 2011, of \$66,378 and additional physician recruitment expense of \$133,113. All other supplies and other expenses increased \$302,264 or 9.6 percent during 2011. The increases of 10.9 percent in 2012 and 9.6 percent in 2011 are generally consistent with the patient volume fluctuations experienced by the Health Center combined with the general rate of health care inflation.



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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Rooks County Health Center

We have audited the accompanying financial statements of the business-type activity of Rooks County Health Center (the Health Center) as of and for the years ended December 31, 2012 and 2011, which collectively comprise the Health Center's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the business-type activity of Rooks County Health Center as of December 31, 2012 and 2011, and the changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 1 through 4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information on pages 25 through 29 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Wendling Rae Nelson & Johnson LLC
Topeka, Kansas
May 10, 2013

FINANCIAL STATEMENTS

ROOKS COUNTY HEALTH CENTER
STATEMENTS OF NET POSITION
December 31,

ASSETS

	<u>2012</u>	<u>2011</u>
CURRENT ASSETS		
Cash	\$ 999,651	\$ 2,408,533
Assets limited as to use	532,484	633,453
Patient accounts receivable, net of allowance for uncollectible accounts of \$662,000 in 2012 and \$547,000 in 2011	1,676,273	1,351,469
Estimated third-party payor settlements	349,002	141,185
Property taxes receivable	493,510	404,247
Inventories	183,553	169,675
Prepaid expenses	<u>83,259</u>	<u>124,232</u>
Total current assets	<u>4,317,732</u>	<u>5,232,794</u>
ASSETS LIMITED AS TO USE		
Internally designated	1,443,615	1,657,110
Under indenture agreements - held by trustee	1,835,928	2,327,259
By contributors and grantors for capital asset acquisitions	106,741	609,136
By contributors to be held in perpetuity	<u>234,554</u>	<u>234,554</u>
	3,620,838	4,828,059
Less amounts required to meet current obligations	<u>532,484</u>	<u>633,453</u>
	<u>3,088,354</u>	<u>4,194,606</u>
CAPITAL ASSETS - NET	<u>13,927,355</u>	<u>14,354,391</u>
OTHER ASSETS		
Deferred financing costs, less accumulated amortization of \$31,868 in 2012 and \$56,984 in 2011	<u>237,566</u>	<u>260,351</u>
Total assets	<u>\$ 21,571,007</u>	<u>\$ 24,042,142</u>

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET POSITION

	<u>2012</u>	<u>2011</u>
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 680,000	\$ 560,000
Accounts payable	229,482	299,350
Capital asset acquisitions payable	83,600	83,600
Estimated third-party payor settlements		46,435
Accrued salaries, wages, and benefits	279,659	134,333
Accrued compensated absences	236,195	191,361
Deferred property tax revenue	493,513	404,247
Accrued interest payable	<u>222,830</u>	<u>337,746</u>
Total current liabilities	2,225,279	2,057,072
LONG-TERM DEBT, less current maturities	<u>14,119,809</u>	<u>16,528,657</u>
Total liabilities	<u>16,345,088</u>	<u>18,585,729</u>
NET POSITION		
Invested in capital assets - net of related debt	855,828	(898,293)
Restricted		
For debt service	261,611	589,852
Expendable for capital asset acquisitions	106,741	687,320
Nonexpendable permanent endowments	234,554	234,554
Unrestricted	<u>3,767,185</u>	<u>4,842,980</u>
Total net position	<u>5,225,919</u>	<u>5,456,413</u>
Total liabilities and net position	<u>\$ 21,571,007</u>	<u>\$ 24,042,142</u>

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

	<u>2012</u>	<u>2011</u>
Operating revenues		
Net patient service revenue	\$ 10,933,920	\$ 9,854,202
Other revenue	<u>319,479</u>	<u>295,344</u>
Total operating revenues	<u>11,253,399</u>	<u>10,149,546</u>
Operating expenses		
Salaries and wages	4,583,262	4,024,827
Employee benefits	1,154,996	994,893
Supplies and other	4,418,518	3,649,250
Depreciation and amortization	<u>1,539,823</u>	<u>1,515,799</u>
Total operating expenses	<u>11,696,599</u>	<u>10,184,769</u>
Operating loss	<u>(443,200)</u>	<u>(35,223)</u>
Nonoperating revenues and expenses		
Property taxes	420,399	412,912
Investment income	338,412	45,881
Interest expense	(872,443)	(1,161,726)
Noncapital grants and contributions	212,029	141,560
Gain on disposal or impairment of capital assets	<u>114,309</u>	<u>67,609</u>
Total nonoperating revenues and expenses	<u>212,706</u>	<u>(493,764)</u>
Change in net position	(230,494)	(528,987)
Net position at beginning of year	<u>5,456,413</u>	<u>5,985,400</u>
Net position at end of year	<u>\$ 5,225,919</u>	<u>\$ 5,456,413</u>

The accompanying notes are an integral part of these statements.

ROOKS COUNTY HEALTH CENTER

STATEMENTS OF CASH FLOWS

Year ended December 31,

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Receipts from and on behalf of patients	\$ 10,354,864	\$ 9,101,627
Payments to or on behalf of employees	(5,548,098)	(4,971,314)
Payments for supplies and services	(4,461,291)	(3,499,610)
Other receipts and payments	<u>319,479</u>	<u>295,344</u>
Net cash provided by operating activities	<u>664,954</u>	<u>926,047</u>
Cash flows from noncapital financing activities		
Property taxes received	420,402	412,912
Noncapital grants and contributions	<u>212,029</u>	<u>141,560</u>
Net cash provided by noncapital financing activities	<u>632,431</u>	<u>554,472</u>
Cash flows from capital and related financing activities		
Acquisition of capital assets	(1,112,787)	(600,484)
Proceeds from disposal of capital assets	22,501	
Insurance proceeds from impairment of capital assets	91,808	215,334
Capital grants and contributions	20,400	28,218
Payments on capital lease obligations		(13,725)
Proceeds from issuance of long-term debt	6,035,000	9,545,000
Principal payments on long-term debt	(8,235,000)	(9,270,000)
Interest paid	(941,844)	(1,230,232)
Payment of deferred financing costs	<u>(111,578)</u>	<u>(157,856)</u>
Net cash used by capital and related financing activities	<u>(4,231,500)</u>	<u>(1,483,745)</u>
Cash flows from investing activities		
Change in assets limited as to use	1,186,832	(87,306)
Investment income received	<u>338,401</u>	<u>131,731</u>
Net cash provided by investing activities	<u>1,525,233</u>	<u>44,425</u>
Change in cash	(1,408,882)	41,199
Cash at beginning of year	<u>2,408,533</u>	<u>2,367,334</u>
Cash at end of year	<u>\$ 999,651</u>	<u>\$ 2,408,533</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>2012</u>	<u>2011</u>
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	\$ (443,200)	\$ (35,223)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation and amortization	1,539,823	1,515,799
Provision for bad debts	619,399	640,191
Changes in		
Patient accounts receivable	(944,203)	(797,152)
Inventories and prepaid expenses	27,095	(20,770)
Accounts payable and accrued expenses	120,292	218,816
Estimated third-party payor settlements	<u>(254,252)</u>	<u>(595,614)</u>
Net cash provided by operating activities	<u>\$ 664,954</u>	<u>\$ 926,047</u>

The accompanying notes are an integral part of these statements.

ROOKS COUNTY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

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.

4. Property taxes

The Health Center received approximately 4 percent of its financial support from property taxes during both 2012 and 2011. 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.

7. Inventories

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

ROOKS COUNTY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2012 and 2011

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

8. Assets limited as to use

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

9. Capital assets

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

The costs of maintenance and repairs are charged to operating expenses as incurred. The costs of significant additions, renewals, and betterments to depreciable properties are capitalized and depreciated over the remaining or extended estimated useful lives of the item or the properties. Gains and losses on disposition of property and equipment are included in nonoperating revenues and expenses.

10. Costs of borrowing

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

11. Grants and contributions

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

12. Net position

The net position of the Health Center is classified into four components. "Net position invested in capital assets net of related debt" consist of capital assets net of accumulated depreciation reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets. "Restricted expendable net position" is the noncapital net position

ROOKS COUNTY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2012 and 2011

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

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 position" equals the principal balance of permanent endowments. "Unrestricted net position" is the remaining net position that does not meet the definitions of the other three components of net position.

13. Operating revenues and expenses

The Health Center's statement of revenues, expenses, and changes in net position 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, 2013, which is the date the financial statements were available to be issued.

ROOKS COUNTY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2012 and 2011

NOTE B - NET PATIENT SERVICE REVENUE

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 statement of net position as estimated third-party payor settlements consist of the estimated differences between the contractual amounts for providing covered services and the interim payments received for those services. A summary of the payment arrangements with major third-party payors follows:

Medicare - The Health Center is a critical access hospital for purposes of the Medicare program and is paid for services rendered to Medicare beneficiaries under various cost reimbursement methodologies. The Health Center is paid for cost reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by the Health Center and audits or reviews thereof by the Medicare administrative contractor. The Health Center's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. The Health Center's Medicare cost reports have been audited or reviewed by the Medicare administrative contractor through December 31, 2010.

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

The Kansas Medicaid program provides additional payments to qualifying providers under a reimbursement formula that incorporates uncompensated care costs, Kansas Medicaid utilization, public support of the provider, and other factors. The Health Center qualified for these disproportionate share payments during both 2012 and 2011.

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, 2012 and 2011

NOTE B - NET PATIENT SERVICE REVENUE - Continued

A summary of gross and net patient service revenue follows:

	<u>2012</u>	<u>2011</u>
Gross patient service revenue	\$ 16,578,438	\$ 14,240,389
Contractual adjustments	(5,067,359)	(3,911,112)
Medicaid disproportionate share payments	353,819	304,852
Provision for bad debts	(619,399)	(640,191)
Charity care	<u>(311,579)</u>	<u>(139,736)</u>
Net patient service revenue	<u>\$ 10,933,920</u>	<u>\$ 9,854,202</u>

Revenue from the Medicare and Medicaid programs accounted for approximately 57 percent and 5 percent, respectively, of the Health Center's net patient service revenue during 2012, and 67 percent and 4 percent, respectively, of the Health Center's net patient service revenue during 2011. 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, 2012, the carrying amount of the Health Center's bank deposits, including certificates of deposit, was \$2,459,717 and the bank balances were \$2,472,091. Of the bank balances, \$500,000 was covered by federal depository insurance and \$1,972,091 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	\$ 999,301
Assets limited as to use	
Internally designated	1,225,862
By contributors to be held in perpetuity	<u>234,554</u>
Total bank deposits	<u>\$ 2,459,717</u>

ROOKS COUNTY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2012 and 2011

NOTE D - ASSETS LIMITED AS TO USE

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

	<u>2012</u>	<u>2011</u>
Internally designated		
Cash	\$ 220,626	\$ 1,309,096
Certificates of deposit	1,005,236	110,198
Cash held by Rooks County Healthcare Foundation for the benefit of the Health Center	217,003	237,816
Pledges receivable	750	
	<u>\$ 1,443,615</u>	<u>\$ 1,657,110</u>
Under indenture agreements - held by trustee		
Cash and money market funds	<u>\$ 1,835,928</u>	<u>\$ 2,327,259</u>
By contributors and grantors for capital asset acquisitions		
Cash held by Rooks County Healthcare Foundation for the benefit of the Health Center	\$ -	\$ 375,255
Farmland and mineral rights	106,741	213,481
Pledges receivable		20,400
	<u>\$ 106,741</u>	<u>\$ 609,136</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>2012</u>	<u>2011</u>
Project fund		
Series 2006A	\$ -	\$ 161,784
Debt service fund		
Principal accounts		
Series 2006A	4,699	8
Series 2011	355,411	234,170
Series 2012	23,028	
Interest accounts		
Series 2006A	9	176,528
Series 2011	91,241	154,769
Series 2012	62,805	
Debt service reserve fund	<u>1,298,735</u>	<u>1,600,000</u>
	<u>\$ 1,835,928</u>	<u>\$ 2,327,259</u>

ROOKS COUNTY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2012 and 2011

NOTE D - ASSETS LIMITED AS TO USE - Continued

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

NOTE E - CAPITAL ASSETS

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

	2012			
	<u>Beginning balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending balance</u>
Land	\$ 23,000	\$ -	\$ -	\$ 23,000
Land improvements	1,519,120			1,519,120
Buildings and fixed equipment	16,381,608	273,940	110,879	16,544,669
Major movable equipment	3,829,980	459,327	556,023	3,733,284
Intangible asset		364,874		364,874
Totals at historical cost	<u>21,753,708</u>	<u>1,098,141</u>	<u>666,902</u>	<u>22,184,947</u>
Less accumulated depreciation and amortization				
Land improvements	519,706	161,189		680,895
Buildings and fixed equipment	4,481,958	987,420	110,879	5,358,499
Major movable equipment	2,397,653	376,011	556,023	2,217,641
Intangible asset		15,203		15,203
	<u>7,399,317</u>	<u>1,539,823</u>	<u>666,902</u>	<u>8,272,238</u>
	14,354,391	(441,682)	-	13,912,709
Construction in progress		14,646		14,646
Capital assets, net	<u>\$ 14,354,391</u>	<u>\$ (427,036)</u>	<u>\$ -</u>	<u>\$ 13,927,355</u>

ROOKS COUNTY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2012 and 2011

NOTE E - CAPITAL ASSETS - Continued

	2011			
	<u>Beginning balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending balance</u>
Land	\$ 23,000	\$ -	\$ -	\$ 23,000
Land improvements	1,519,120			1,519,120
Buildings and fixed equipment	16,416,821	150,453	185,666	16,381,608
Major movable equipment	3,430,939	399,041		3,829,980
Totals at historical cost	<u>21,389,880</u>	<u>549,494</u>	<u>185,666</u>	<u>21,753,708</u>
Less accumulated depreciation and amortization				
Land improvements	358,517	161,189		519,706
Buildings and fixed equipment	3,539,791	980,108	37,941	4,481,958
Major movable equipment	<u>2,023,151</u>	<u>374,502</u>		<u>2,397,653</u>
	<u>5,921,459</u>	<u>1,515,799</u>	<u>37,941</u>	<u>7,399,317</u>
Capital assets, net	<u>\$ 15,468,421</u>	<u>\$ (966,305)</u>	<u>\$ 147,725</u>	<u>\$ 14,354,391</u>

During 2011, the Health Center incurred hail damage to the roofs of the hospital and residential retirement facility buildings. The Health Center determined that the roofs currently in use were impaired and an impairment loss of \$147,725 was recognized. After insurance proceeds of \$215,334, there was a gain from impairment of capital assets of \$67,609, which is included in 2011 nonoperating revenues and expenses. Additional insurance proceeds of \$91,808 were received during 2012, which are included in 2012 nonoperating revenues and expenses.

During 2012, the Health Center entered into a purchase option agreement related to a satellite clinic building. The Health Center has recognized an intangible asset of \$364,874 for the purchase option. The purchase price for the satellite clinic building will be \$1,000 if the Health Center exercises the purchase option.

NOTE F - EMPLOYEE HEALTH INSURANCE

On July 1, 2012, the Health Center began sponsoring a self-insured employee health insurance plan. The Health Center reinsures a portion of its risk under that plan. The reinsurance arrangement generally covers claims totaling over \$30,000 for each covered individual on an annual basis. The reinsurance arrangement also covers aggregate annual claims of the plan in excess of an amount determined in relation to the number of individuals participating in the plan during the year. Covered employees also provide part of the funds to pay claims through monthly contributions at predetermined rates. The Hospital

ROOKS COUNTY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2012 and 2011

NOTE F - EMPLOYEE HEALTH INSURANCE - Continued

has retained an agent to process and settle claims. The following is a summary of the activity under this arrangement for the year ended December 31, 2012:

Estimated net health insurance claims payable at beginning of year	\$ -
Provision for the Health Center's share of incurred claims and related expenses, net of any reinsurance proceeds	322,645
Participant contributions	135,756
Payments made for claims and related expenses	<u>(397,401)</u>
Estimated net health insurance claims payable at end of year (included in accrued salaries, wages, and benefits)	<u>\$ 61,000</u>

NOTE G - LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2012</u>	<u>2011</u>
6.90% Plainville Rural Hospital District No. 1 Hospital Revenue Bonds, Series 2006A, issued on August 31, 2006, in the original amount of \$16,945,000, due serially through August 15, 2031, with principal payments beginning on August 15, 2012	\$ -	\$ 7,675,000
1.15% - 5.35% Plainville Rural Hospital District No. 1 Hospital Refunding Revenue Bonds, Series 2011, issued on June 16, 2011, in the original amount of \$9,545,000, due serially through August 15, 2025, with principal payments beginning on August 15, 2012	8,985,000	9,545,000
1.00% - 4.85% Plainville Rural Hospital District No. 1 Hospital Refunding Revenue Bonds, Series 2012, issued on August 31, 2012, in the original amount of \$6,035,000, due serially through August 15, 2028, with principal payments beginning on August 15, 2013	6,035,000	
Unamortized deferred refunding loss	<u>(220,191)</u>	<u>(131,343)</u>
	14,799,809	17,088,657
Less current maturities of long-term debt	<u>680,000</u>	<u>560,000</u>
Total long-term debt, net of current maturities	<u>\$ 14,119,809</u>	<u>\$16,528,657</u>

ROOKS COUNTY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2012 and 2011

NOTE G - LONG-TERM DEBT - Continued

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

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

On August 31, 2012, the Health Center issued its Hospital Refunding Revenue Bonds, Series 2012, in the principal amount of \$6,035,000, to refund the remaining portion of the Series 2006A bonds and to pay costs related to the issuance of the 2012 bonds.

The 2011 current refunding decreased the total amount of future debt service requirements by \$1,843,914. This resulted in an economic gain (difference between the present value of the future debt service payments on the old and new debt) of \$1,546,121. As a result of the 2011 current refunding, a deferred refunding loss of \$140,560 was recognized for the difference between book value of the refunded debt and the amount required to extinguish the debt.

The 2012 current refunding decreased the total amount of future debt service requirements by \$5,049,457. This resulted in an economic gain of \$3,764,374. As a result of the 2012 current refunding, a deferred refunding loss of \$108,231 was recognized for the difference between book value of the refunded debt and the amount required to extinguish the debt.

The indenture agreement for the bonds requires the Health Center to transfer to a trustee, on a monthly basis, specified amounts which, when combined with interest earned on the respective funds held by the trustee, will provide sufficient funds to pay the bond principal and interest on the appropriate due dates. Such transfers were made to the extent required. The specified funds were maintained with the trustee and are included with assets limited as to use in the financial statements. The obligations of the Health Center under the indenture agreement are secured by a pledge of its unrestricted revenues, subject to the right of the Health Center to dispose of or encumber property as defined and permitted in the indenture agreement. The indenture agreement also includes certain restrictive covenants relating to the acquisition and disposition of property, incurrence of additional indebtedness, maintenance of specified values for certain financial statement ratios, and the level of fees and rates charged. The covenant in the indenture agreement regarding the level of fees and rates charged requires that fees and rates for services be set at levels sufficient for the Health Center to produce income available for debt service in each fiscal year equal to 125 percent of the maximum debt service requirements of all debt outstanding during that fiscal year. The Health Center's income available for debt service during 2012 was 145 percent of the specified debt service requirements.

ROOKS COUNTY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2012 and 2011

NOTE G - LONG-TERM DEBT - Continued

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 680,000	\$ 612,149	\$ 1,292,149
2014	680,000	612,438	1,292,438
2015	695,000	598,815	1,293,815
2016	715,000	581,638	1,296,638
2017	735,000	560,793	1,295,793
2018-2022	4,105,000	2,369,896	6,474,896
2023-2027	5,160,000	1,321,110	6,481,110
2028	<u>2,250,000</u>	<u>109,125</u>	<u>2,359,125</u>
	<u>\$ 15,020,000</u>	<u>\$ 6,765,964</u>	<u>\$ 21,785,964</u>

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

Outstanding at January 1, 2011	\$ 16,945,000
Long-term debt incurred	9,545,000
Principal payments	(9,270,000)
Deferred refunding loss	(140,560)
Amortization of deferred refunding loss	<u>9,217</u>
Outstanding at December 31, 2011	17,088,657
Long-term debt incurred	6,035,000
Principal payments	(8,235,000)
Deferred refunding loss	(108,231)
Amortization of deferred refunding loss	<u>19,383</u>
Outstanding at December 31, 2012	<u>\$ 14,799,809</u>

Total interest costs are summarized as follows:

	<u>2012</u>	<u>2011</u>
Interest incurred	\$ 826,928	\$ 1,129,525
Amortization of deferred financing costs	26,132	22,984
Amortization of deferred refunding loss	<u>19,383</u>	<u>9,217</u>
Interest expense	<u>\$ 872,443</u>	<u>\$ 1,161,726</u>

ROOKS COUNTY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2012 and 2011

NOTE H - DEFINED CONTRIBUTION PENSION PLAN

The Health Center sponsors a defined contribution pension plan. Substantially all employees of the Health Center are eligible to participate in the Plan after one year of employment. Covered employees may contribute up to 4 percent of covered compensation and the Health Center makes contributions matching those of covered employees. Contributions to the Plan made by employees immediately vest, 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 2012 were approximately \$259,000 which consisted of \$78,000 from the Health Center, net of forfeitures used, and \$181,000 from employees. Contributions to the Plan for 2011 were approximately \$268,000 which consisted of \$99,000 from the Health Center, net of forfeitures used, and \$169,000 from employees. Contributions to the Plan 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>2012</u>	<u>2011</u>
Medicare	43%	47%
Medicaid	4	2
Blue Cross	17	18
Other third-party payors	11	11
Self-pay	<u>25</u>	<u>22</u>
	<u>100%</u>	<u>100%</u>

NOTE J - RISK MANAGEMENT

For the years ended December 31, 2012 and 2011, the Health Center was insured for professional liability under a comprehensive hospital liability policy provided by an independent insurance carrier with limits of \$200,000 per occurrence up to an annual aggregate of \$600,000 for all claims made during the policy year. The Health Center is further covered by the Kansas Health Care Stabilization Fund for claims in excess of its comprehensive hospital liability policy up to \$800,000 pursuant to any one judgment or settlement against the Health Center for any one party, subject to an aggregate limitation for all judgments or settlements arising from all claims made in the policy year in the amount of \$2,400,000. The policy provided by the independent insurance carrier provides for umbrella liability coverage in excess of the underlying limits set forth above in the amount of \$1,000,000 per occurrence with an aggregate amount in any policy year of \$3,000,000. All coverage is on a claims-made basis. The above policies have been renewed through January 1, 2014. 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.

ROOKS COUNTY HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2012 and 2011

NOTE J - RISK MANAGEMENT - Continued

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.

SUPPLEMENTARY INFORMATION

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

	2012			2011		
	<u>Inpatient</u>	<u>Outpatient</u>	<u>Total</u>	<u>Inpatient</u>	<u>Outpatient</u>	<u>Total</u>
Acute care	\$ 713,965	\$ -	\$ 713,965	\$ 588,609	\$ -	\$ 588,609
Swing-bed care	458,610		458,610	607,019		607,019
Observation	2,322	245,470	247,792	6,540	122,829	129,369
Nursery	43,788		43,788	34,022		34,022
Operating and recovery room	59,297	1,337,859	1,397,156	33,253	956,995	990,248
Delivery room	132,555	4,970	137,525	114,939		114,939
Anesthesiology	66,699	464,504	531,203	54,767	371,282	426,049
Radiology	232,799	3,141,914	3,374,713	201,136	2,777,499	2,978,635
Laboratory	282,948	1,641,656	1,924,604	262,865	1,429,658	1,692,523
Respiratory therapy	310,367	39,531	349,898	226,264	44,018	270,282
Physical therapy	121,430	609,938	731,368	146,249	478,074	624,323
Occupational therapy	65,511	139,275	204,786	102,789	190,358	293,147
Speech therapy	6,502	18,352	24,854	11,581	26,241	37,822
Electrocardiology	10,079	113,766	123,845	10,006	98,977	108,983
Cardiac rehabilitation		271,720	271,720		257,670	257,670
Wound care	1,860	33,939	35,799	3,899	34,221	38,120
Monitor	35,322	21,695	57,017	35,463	15,760	51,223
Medical supplies	142,187	388,685	530,872	294,480	304,816	599,296
Pharmacy	1,559,599	1,331,659	2,891,258	1,665,157	934,428	2,599,585
Emergency room	20,530	1,166,428	1,186,958	20,934	1,105,306	1,126,240
Clinic		1,340,707	1,340,707		672,285	672,285
Gross patient service revenue	<u>\$ 4,266,370</u>	<u>\$ 12,312,068</u>	<u>\$ 16,578,438</u>	<u>\$ 4,419,972</u>	<u>\$ 9,820,417</u>	<u>\$ 14,240,389</u>

ROOKS COUNTY HEALTH CENTER

OTHER REVENUE

Year ended December 31,

	<u>2012</u>	<u>2011</u>
Independent living	\$ 90,990	\$ 92,944
Cafeteria sales	43,080	40,881
Transportation cost reimbursements	43,751	44,876
Miscellaneous	<u>141,658</u>	<u>116,643</u>
	<u>\$ 319,479</u>	<u>\$ 295,344</u>

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

	2012			2011		
	<u>Salaries and wages</u>	<u>Supplies and other</u>	<u>Total</u>	<u>Salaries and wages</u>	<u>Supplies and other</u>	<u>Total</u>
Routine care	\$ 930,047	\$ 135,540	\$ 1,065,587	\$ 950,077	\$ 123,138	\$ 1,073,215
Nursery	10,339	4,482	14,821	11,582	1,671	13,253
Operating and recovery room	299,878	149,800	449,678	126,285	89,849	216,134
Delivery room	36,418	7,190	43,608	26,170	3,214	29,384
Anesthesiology		235,396	235,396		195,414	195,414
Radiology	346,150	328,295	674,445	285,566	310,621	596,187
Laboratory	329,570	346,637	676,207	295,327	300,452	595,779
Respiratory therapy	54,444	1,962	56,406	44,309	1,512	45,821
Physical therapy	214,923	62,652	277,575	167,612	35,040	202,652
Occupational therapy	64,895	8,053	72,948	73,289	614	73,903
Speech therapy	16,371	2,624	18,995	21,826	1,682	23,508
Electrocardiology	9,842	60	9,902	7,020	263	7,283
Cardiac rehabilitation	75,453	62,953	138,406	68,580	61,656	130,236
Wound care	5,569	1,199	6,768	9,254	2,760	12,014
Medical supplies	77,921	50,271	128,192	87,608	40,785	128,393
Pharmacy	124,226	428,370	552,596	101,241	369,882	471,123
Emergency room	77,515	463,460	540,975	64,003	344,878	408,881
Clinic	263,399	802,800	1,066,199	215,374	425,748	641,122
Transportation	44,391	(1,866)	42,525	38,482	(1,690)	36,792
Independent living	3,913	30,817	34,730	3,568	37,344	40,912
Administration and general	949,254	689,534	1,638,788	841,157	610,574	1,451,731
Marketing	89,229	2,940	92,169	81,235	2,006	83,241
Plant operation	73,576	359,849	433,425	74,520	446,513	521,033
Laundry	20,398	9,042	29,440	14,851	8,822	23,673
Housekeeping	71,591	18,412	90,003	69,995	14,971	84,966
Dietary	172,217	145,279	317,496	162,447	131,784	294,231
Nursing administration	144,395	905	145,300	109,445	25,466	134,911
Medical records	77,338	71,862	149,200	74,004	64,281	138,285
Employee benefits		1,154,996	1,154,996		994,893	994,893
Depreciation and amortization		1,539,823	1,539,823		1,515,799	1,515,799
	<u>\$ 4,583,262</u>	<u>\$ 7,113,337</u>	<u>\$ 11,696,599</u>	<u>\$ 4,024,827</u>	<u>\$ 6,159,942</u>	<u>\$ 10,184,769</u>

ROOKS COUNTY HEALTH CENTER
BALANCE IN DEPOSITORY COMPARED WITH DEPOSITORY SECURITY
December 31, 2012

	<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	\$ 729,544	\$ 250,000	\$ 479,544	\$ 1,670,661	\$ 1,191,117
Time deposits	1,742,547	250,000	1,492,547	1,492,547	-

ROOKS COUNTY HEALTH CENTER
SUMMARY OF INSURANCE COVERAGE
December 31, 2012

Insurer	Type of coverage	Coverage amount	Premium	Term
KaMMCO Insurance Company	Hospital professional liability	\$200,000/\$600,000	\$10,152	January 1, 2013
	General liability and umbrella			to
	hospital professional liability	\$1,000,000/\$3,000,000	\$4,323	January 1, 2014
	Personal injury/property	\$1,000,000/\$3,000,000	\$902	
	Employee benefit liability	\$250,000/\$250,000	\$474	
Kansas Health Care Provider Insurance Availability Act	Excess hospital professional liability	\$800,000/\$2,400,000	\$4,518	January 1, 2013
				to January 1, 2014
Travelers Casualty & Surety Company of America	Directors, Officers, and Trustees liability	\$1,000,000/\$1,000,000	\$6,713	January 1, 2013
				to January 1, 2014
EMC Insurance Companies	Accounts receivable	\$500,000/\$500,000	\$96	January 1, 2013
				to January 1, 2014
EMC Insurance Companies	Building and personal property Equipment breakdown	\$20,728,691 \$20,728,691	\$38,459	January 1, 2013
				to January 1, 2014
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	\$4,162	January 1, 2013
				to
				January 1, 2014
EMC Insurance Companies	Commercial crime	\$100,000	\$322	January 1, 2013
				to January 1, 2014
EMC Insurance Companies	Outdoor equipment	\$120,000	\$504	January 1, 2013
				to January 1, 2014
ACE Property and Casualty Insurance Company	Helipad general liability	\$5,000,000/\$5,000,000	\$2,145	January 1, 2013
				to January 1, 2014
Berkshire Hathaway Homestate Insurance Company	Workers' compensation and employers liability (Kansas)	Statutory:	\$74,980	January 1, 2013
		Bodily injury by accident -		to
		\$1,000,000 each accident		January 1, 2014
		Bodily injury by disease -		
		\$1,000,000 policy limit		
		Bodily injury by disease -		
		\$1,000,000 each employee		