

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ANDERSON COUNTY HOSPITAL
DECEMBER 31, 2009 AND 2008

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the financial performance of Anderson County Hospital provides a narrative overview of the Hospital's financial activities for the years ended December 31, 2009 and 2008. Please read it in conjunction with the accompanying basic financial statements.

Financial highlights

The Hospital's net assets decreased by \$126,692 or 2.5 percent and decreased by \$378,520 or 7.0 percent during the 2009 and 2008 fiscal years, respectively.

The net assets of Anderson County Hospital Foundation (the Foundation), a component unit of the Hospital, increased by \$39,455 or 23.5 percent in 2009 and increased by \$43,770 or 35.2 percent in 2008.

Using these financial statements

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

One of the most important questions asked about the Hospital's finances is, "Is the Hospital 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 Hospital'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 Hospital's net assets and changes in them. The Hospital'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 Hospital'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 Hospital's physical plant and measures of the quality of facilities it provides to the community, as well as local economic factors, to assess the overall health of the Hospital.

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Assets			
Current assets	\$ 171,204	\$ 197,633	\$ 238,359
Assets limited as to use	837,078	837,913	872,384
Capital assets, net	4,325,718	4,480,108	4,724,885
Other assets	<u>420,822</u>	<u>429,804</u>	<u>438,984</u>
Total assets	<u>\$ 5,754,822</u>	<u>\$ 5,945,458</u>	<u>\$ 6,274,612</u>
Liabilities			
Current liabilities	\$ 299,602	\$ 165,635	\$ 170,225
Long-term obligations	<u>542,343</u>	<u>740,254</u>	<u>686,298</u>
Total liabilities	<u>\$ 841,945</u>	<u>\$ 905,889</u>	<u>\$ 856,523</u>
Net assets	<u>\$ 4,912,877</u>	<u>\$ 5,039,569</u>	<u>\$ 5,418,089</u>

Net capital assets decreased during 2008 and 2009 because depreciation expense exceeded acquisitions.

The Hospital incurred capital lease obligations totaling \$245,591 during 2008 to finance equipment purchases.

The Hospital's net assets decreased by \$126,692 or 2.5 percent and decreased by \$378,520 or 7.0 percent during the 2009 and 2008 fiscal years, respectively.

Operating results and changes in net assets

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Operating revenues	\$ 447,289	\$ 415,172	\$ 395,276
Operating expenses	<u>752,549</u>	<u>778,970</u>	<u>678,803</u>
Operating loss	(305,260)	(363,798)	(283,527)
Investment income	7,749	21,550	34,229
Interest expense	(57,840)	(58,826)	(46,776)
Noncapital grants and contributions	3,513	4,007	8,338
Gain on disposal of capital assets	200		2,067
Capital grants and contributions	<u>224,946</u>	<u>18,547</u>	<u>530,413</u>
Change in net assets	<u>\$ (126,692)</u>	<u>\$ (378,520)</u>	<u>\$ 244,744</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

The most significant component of the overall change in the Hospital's net assets is its operating loss - generally, the difference between rent income and the expenses incurred in connection with the rental activity. The Hospital and the Foundation received significant capital grants and contributions during 2009 and 2007 for the acquisition of equipment. Investment income has decreased during each of the last three years due to decreased interest rates.



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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Anderson County Hospital

We have audited the accompanying balance sheets of the Anderson County Hospital, a component unit of Anderson County, Kansas, as of December 31, 2009 and 2008, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit Guide. Those standards require that we plan and perform the 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 Hospital'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 Anderson County Hospital as of December 31, 2009 and 2008, and the results of its operations, changes in its 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 3 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
June 2, 2010

FINANCIAL STATEMENTS

ANDERSON COUNTY HOSPITAL

BALANCE SHEETS

December 31,

ASSETS

	2009		2008	
	Hospital Board	Component unit	Hospital Board	Component unit
CURRENT ASSETS				
Cash	\$ 72,244	\$ 202,504	\$ 136,606	\$ 162,574
Assets limited as to use	20,895		18,600	
Prepaid expenses	10,435		10,340	
Other receivables	67,630	5,072	32,087	7,547
Total current assets	171,204	207,576	197,633	170,121
ASSETS LIMITED AS TO USE				
Internally designated	301,281		300,654	
Under indenture agreements - held by trustee	35,261		32,944	
By contributors				
For nurse training	225,144		228,173	
For debt service	296,253		294,708	
For capital acquisitions	34		34	
	857,973	-	856,513	-
Less amount required to meet current liabilities	20,895		18,600	
	837,078	-	837,913	-
CAPITAL ASSETS, NET	4,325,718	-	4,480,108	-
OTHER ASSETS				
Deferred debt issuance costs	35,014		43,996	
Due from lessee	385,808		385,808	
	420,822	-	429,804	-
	\$5,754,822	\$ 207,576	\$5,945,458	\$ 170,121

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS

	2009		2008	
	Hospital Board	Component unit	Hospital Board	Component unit
CURRENT LIABILITIES				
Current installments of long-term debt	\$ 70,000	\$ -	\$ 25,000	\$ -
Current portion of capital lease obligations	128,933		125,992	
Accounts payable	92,500		6,068	2,000
Accrued interest payable	8,169		8,575	
Total current liabilities	299,602	-	165,635	2,000
LONG-TERM DEBT, less current maturities	496,346	-	565,324	-
CAPITAL LEASE OBLIGATIONS, less current portion	45,997	-	174,930	-
NET ASSETS				
Invested in capital assets - net of related debt	3,597,993		3,602,390	
Restricted				
For debt service	317,963		314,124	
Expendable for capital acquisitions	34		34	
For specific operating activities	225,144		228,173	
Unrestricted	771,743	207,576	894,848	168,121
	4,912,877	207,576	5,039,569	168,121
	\$5,754,822	\$ 207,576	\$5,945,458	\$ 170,121

ANDERSON COUNTY HOSPITAL
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Year ended December 31,

	2009		2008	
	Hospital Board	Component unit	Hospital Board	Component unit
Operating revenues				
Medical office building rent	\$ 61,240	\$ -	\$ 59,784	\$ -
Hospital rent	386,049		355,388	
Total operating revenues	447,289	-	415,172	-
Operating expenses				
Supplies and other expenses	91,026	20,799	157,044	21,215
Depreciation and amortization	661,523		621,926	
Total operating expenses	752,549	20,799	778,970	21,215
Operating loss	(305,260)	(20,799)	(363,798)	(21,215)
Nonoperating revenues (expenses)				
Investment income	7,749	1,035	21,550	983
Interest expense	(57,840)		(58,826)	
Noncapital grants and contributions	3,513	59,219	4,007	64,002
Gain on disposal of capital assets	200			
Total nonoperating revenues (expenses)	(46,378)	60,254	(33,269)	64,985
Excess of revenues over expenses (expenses over revenues) before capital grants and contributions	(351,638)	39,455	(397,067)	43,770
Capital grants and contributions	224,946		18,547	
Change in net assets	(126,692)	39,455	(378,520)	43,770
Net assets at beginning of year	5,039,569	168,121	5,418,089	124,351
Net assets at end of year	\$ 4,912,877	\$ 207,576	\$ 5,039,569	\$ 168,121

The accompanying notes are an integral part of these statements.

ANDERSON COUNTY HOSPITAL
STATEMENTS OF CASH FLOWS
Year ended December 31,

	2009		2008	
	Hospital Board	Component unit	Hospital Board	Component unit
Cash flows from operating activities				
Receipts from lessee	\$ 411,226	\$ -	\$ 444,623	\$ -
Payments for supplies and services	(97,189)	(22,799)	(163,338)	(21,215)
Net cash provided (used) by operating activities	314,037	(22,799)	281,285	(21,215)
Cash flows from noncapital financing activities				
Noncapital grants and contributions	3,513	59,219	4,007	67,977
Cash flows from capital and related financing activities				
Acquisition of capital assets	(414,633)		(464,233)	
Capital grants and contributions	224,946		18,547	
Proceeds from sale of capital assets	200			
Capital lease obligations incurred			245,591	
Payments on capital lease obligations	(125,992)		(82,077)	
Principal payments on long-term debt	(25,000)		(25,000)	
Interest paid	(48,242)		(48,981)	
Net cash used by capital and related financing activities	(388,721)	-	(356,153)	-
Cash flows from investing activities				
Change in assets limited as to use	(735)		33,711	
Investment income received	7,544	3,510	23,909	983
Net cash provided by investing activities	6,809	3,510	57,620	983
Net change in cash and cash equivalents	(64,362)	39,930	(13,241)	47,745
Cash and cash equivalents at beginning of year	136,606	162,574	149,847	114,829
Cash and cash equivalents at end of year	\$ 72,244	\$ 202,504	\$ 136,606	\$ 162,574

The accompanying notes are an integral part of these statements.

ANDERSON COUNTY HOSPITAL
STATEMENTS OF CASH FLOWS - CONTINUED
Year ended December 31,

	<u>2009</u>		<u>2008</u>	
	<u>Hospital Board</u>	<u>Component unit</u>	<u>Hospital Board</u>	<u>Component unit</u>
Reconciliation of operating loss to net cash provided (used) by operating activities				
Operating loss	\$ (305,260)	\$ (20,799)	\$ (363,798)	\$ (21,215)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities				
Depreciation and amortization	661,523		621,926	
Changes in				
Receivables and prepaid expenses	(36,158)		25,886	
Accounts payable	<u>(6,068)</u>	<u>(2,000)</u>	<u>(2,729)</u>	<u> </u>
Net cash provided (used) by operating activities	<u>\$ 314,037</u>	<u>\$ (22,799)</u>	<u>\$ 281,285</u>	<u>\$ (21,215)</u>

The accompanying notes are an integral part of these statements.

ANDERSON COUNTY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

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

1. Reporting entity

Anderson County Hospital (the Hospital) is a county hospital located in Garnett, Kansas. The Hospital was organized in 1947 and is operated under Kansas statutes as an entity legally separate from Anderson County (the County). Its Board of Trustees is appointed by the Board of County Commissioners of the County. The Hospital can sue and be sued, and can buy, sell, or lease real property. Bond issuances must be approved by the County. For financial statement purposes, the Hospital is a discretely presented component unit of the County.

On October 1, 1997, the Hospital's Board of Trustees leased to St. Luke's Hospital of Kansas City (St. Luke's) all of the real estate, equipment, and facilities constituting the Hospital for a period of eight years and it also transferred to St. Luke's all nonrestricted current assets and current liabilities as then recorded on the books of the Hospital. St. Luke's may, in its sole discretion, extend the term of the lease for up to three additional terms of five years each. The lease has been extended to September 30, 2015. St. Luke's will pay to the Board of Trustees an amount equal to three percent of the net revenues it realizes from the hospital operation. Upon termination of the lease, St. Luke's will return to the Board of Trustees all nonrestricted current assets and current liabilities as then recorded on the books of the hospital operation. A comparison will also then be made of the amount of current assets less current liabilities at the commencement and termination of the lease. If the amount of net current assets has decreased, St. Luke's will pay an amount equal to that decrease to the Board of Trustees. If the amount of net current assets has increased, the Board of Trustees will pay an amount equal to that increase to St. Luke's.

The component unit discussed in A2 is included in the Hospital's reporting entity because of the nature and significance of its relationship with the Hospital.

2. Component unit

The financial statements include the financial data of the discretely presented component unit described below. The component unit is reported separately to emphasize that it is legally separate from the Hospital.

Anderson County Hospital Foundation (the Foundation), is a not-for-profit corporation formed in January 2000 to promote and advance the welfare of the Hospital.

3. Basis of accounting

The Hospital 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 Hospital has implemented all GASB pronouncements and only relevant pronouncements of the Financial Accounting Standards Board (FASB) issued before November 30, 1989.

ANDERSON COUNTY HOSPITAL
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2009 and 2008

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

4. Assets limited as to use

Assets limited as to use include assets set aside by the Board of Trustees for replacement of capital assets or for purchase of additional capital assets, over which the Board retains control and may at its discretion subsequently use for other purposes; assets held by a trustee under an indenture agreement; assets restricted by contributors to use for training nurses; assets restricted by contributors for repayment of bonded indebtedness of the Hospital; and assets restricted by contributors for capital acquisitions. Assets limited as to use that are required for obligations classified as current liabilities are reported in current assets.

5. 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 capital assets are included in nonoperating revenues and expenses.

6. Costs of borrowing

Interest costs, including amortization of deferred debt issuance 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 are amortized using the interest method over the term of the related debt.

7. Grants and contributions

From time to time, the Hospital 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 capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

ANDERSON COUNTY HOSPITAL
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2009 and 2008

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

8. Net assets

Net assets of the Hospital are classified in three 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, contributors, or others external to the Hospital, including amounts deposited with trustees as required by indenture agreements. "Unrestricted net assets" are remaining net assets that do not meet the definitions of the other two components of net assets.

9. Operating revenues and expenses

The Hospital'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 the rental of the medical office building and the hospital facility, which is the Hospital's principal activity. Nonexchange revenues, including noncapital grants and contributions, are reported as nonoperating revenues. Operating expenses are all expenses incurred in connection with the rental of the medical office building and the hospital facility, other than financing costs.

10. Income taxes

The Hospital is a county hospital and is, therefore, exempt from federal income taxes under Section 115 of the Internal Revenue Code.

11. Cash and cash equivalents

Cash and cash equivalents include all cash and certificates of deposit of all funds, excluding any such amounts included in assets limited as to use.

NOTE B - DEPOSITS WITH FINANCIAL INSTITUTIONS

Kansas statutes authorize the Hospital, 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 Hospital.

At December 31, 2009, the carrying amount of the Hospital's bank deposits, including certificates of deposit, was \$892,796 and the bank balances were \$898,210. Of the bank balances, \$709,386 was covered by federal depository insurance, and \$188,824 was covered by collateral held by a third-party bank, but not registered in the Hospital's name.

ANDERSON COUNTY HOSPITAL
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 December 31, 2009 and 2008

NOTE B - DEPOSITS WITH FINANCIAL INSTITUTIONS - Continued

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

Cash	\$ 72,244
Assets limited as to use	
Internally designated	301,281
Under indenture agreement - held by trustee	816
By contributors for nurse training	222,168
By contributors for debt service	296,253
By contributors for capital acquisition	<u>34</u>
Total bank deposits	<u>\$ 892,796</u>

NOTE C - ASSETS LIMITED AS TO USE

Investments are stated at fair value. The composition of the Hospital's assets limited as to use is as follows:

	<u>2009</u>	<u>2008</u>
Internally designated		
Cash and certificate of deposit	<u>\$ 301,281</u>	<u>\$ 300,654</u>
Under indenture agreement - held by trustee		
Cash	\$ 816	\$ 816
Money market funds	<u>34,445</u>	<u>32,128</u>
	<u>\$ 35,261</u>	<u>\$ 32,944</u>
By contributors for nurse training		
Cash and certificates of deposit	\$ 222,168	\$ 225,606
Scholarship loans	1,783	2,099
Interest receivable	<u>1,193</u>	<u>468</u>
	<u>\$ 225,144</u>	<u>\$ 228,173</u>
By contributors for debt service		
Cash and certificates of deposit	<u>\$ 296,253</u>	<u>\$ 294,708</u>
By contributors for capital acquisition		
Cash	<u>\$ 34</u>	<u>\$ 34</u>

ANDERSON COUNTY HOSPITAL
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2009 and 2008

NOTE E - DEFERRED DEBT ISSUANCE COSTS

Deferred debt issuance costs are summarized as follows:

	<u>2009</u>	<u>2008</u>
Costs	\$ 63,000	\$ 63,000
Less accumulated amortization	<u>27,986</u>	<u>19,004</u>
	<u>\$ 35,014</u>	<u>\$ 43,996</u>

NOTE F - DUE FROM LESSEE

Unrestricted assets and liabilities transferred to St. Luke's on October 1, 1997, were as follows:

Cash	\$ 104,238
Patient accounts receivable	1,006,972
Estimated third-party payor settlements	121,413
Supplies	98,007
Prepaid expenses	22,642
Other receivables	2,699
Advances to physicians	56,247
Accounts payable	(656,224)
Salaries and wages payable	(76,388)
Accrued vacation pay	(93,798)
Line of credit loan	<u>(200,000)</u>
Due from lessee	<u>\$ 385,808</u>

NOTE G - RISK MANAGEMENT

The Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Hospital purchases commercial insurance for these risks. Settled claims have not exceeded this commercial coverage in any of the past three years.

ANDERSON COUNTY HOSPITAL
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2009 and 2008

NOTE H - LONG-TERM DEBT

Long-term debt and capital lease obligations are summarized as follows:

	Date <u>issued</u>	Original <u>amount</u>	Interest <u>rate</u>	Outstanding balance	
				<u>2009</u>	<u>2008</u>
City of Garnett, Kansas, Industrial Revenue Bonds Series 2006A, term bonds due October 1, 2016, with mandatory redemptions beginning April 1, 2011	December 15, 2006	\$ 500,000	5.625%	\$ 500,000	\$ 500,000
City of Garnett, Kansas, Taxable Industrial Revenue Bonds, Series 2006B, term bonds due October 1, 2010, with mandatory redemptions beginning April 1, 2007	December 15, 2006	\$ 145,000	6.500%	<u>70,000</u>	<u>95,000</u>
				570,000	595,000
Unamortized deferred refunding loss				<u>(3,654)</u>	<u>(4,676)</u>
				566,346	590,324
Less current maturities of long-term debt				<u>(70,000)</u>	<u>(25,000)</u>
Long-term debt, excluding current maturities				<u>\$ 496,346</u>	<u>\$ 565,324</u>
Capital lease obligations, imputed interest rates of 4.99% to 6.17%, collateralized by leased equipment with an unamortized cost of \$252,691 at December 31, 2009				\$ 174,930	\$ 300,922
Less current portion of capital lease obligations				<u>(128,933)</u>	<u>(125,992)</u>
Capital lease obligations, excluding current portion				<u>\$ 45,997</u>	<u>\$ 174,930</u>

On May 4, 1995, the City of Garnett, Kansas (the City), issued its Taxable Industrial Revenue Bonds, Series 1995, in the amount of \$450,000, on behalf of the Hospital pursuant to a trust indenture and a lease agreement dated April 15, 1995. The proceeds of the Bonds were used, together with other available funds of the Hospital, to acquire, construct, and equip a medical office building.

ANDERSON COUNTY HOSPITAL
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2009 and 2008

NOTE H - LONG-TERM DEBT - Continued

On December 15, 2006, the City issued \$645,000 in Industrial Revenue Bonds, Series 2006A and 2006B, on behalf of the Hospital. The proceeds of the 2006 bonds were used, together with other available funds of the Hospital, for the purpose of providing funds to (1) advance refund the \$297,000 of 1995 bonds outstanding at December 15, 2006, (2) pay costs related to the issuance of the 2006 bonds, and (3) pay for the costs of medical office building renovations. Funds totaling \$305,607 were used to purchase U.S. Treasury obligations and those obligations were deposited in an irrevocable escrow account held by a trustee to provide for payment of principal and interest of the refunded 1995 bonds when called on January 18, 2007. As a result, the refunded bonds were considered to be defeased and the liability for those bonds was removed from the Hospital's balance sheet.

The advance refunding increased total future debt service requirements of the Hospital by \$35,725. This resulted in an economic loss (difference between the present value of the future debt service payments on the old and new debt) of \$6,412. As a result of the advance refunding, a deferred refunding loss of \$6,909 was recognized for the difference between the book value of the refunded debt and the amount required to extinguish the debt.

The trust indenture and the lease agreement require the Hospital 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.

With the commencement of the lease described in Note A1, St. Luke's became the sublessee of the medical office building. Rental payments from St. Luke's are equal to the amounts required to be transferred by the Hospital to the trustee which will provide sufficient funds to pay the bond principal and interest on the appropriate due dates.

The following is a summary of changes in long-term debt and capital lease obligations:

	<u>Long-term debt</u>	<u>Capital lease obligations</u>
Outstanding at January 1, 2008	\$ 620,000	\$ 137,408
Principal payments	(25,000)	(82,077)
Obligations incurred	<u> </u>	<u>245,591</u>
Outstanding at January 1, 2009	595,000	300,922
Principal payments	<u>(25,000)</u>	<u>(125,992)</u>
Outstanding at December 31, 2009	<u>\$ 570,000</u>	<u>\$ 174,930</u>

ANDERSON COUNTY HOSPITAL
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2009 and 2008

NOTE H - LONG-TERM DEBT - Continued

Scheduled annual debt service requirements are as follows:

	<u>Long-term debt</u>			<u>Capital lease obligations</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2010	\$ 70,000	\$ 32,188	\$102,188	\$ 135,699
2011	70,000	27,141	97,141	46,742
2012	80,000	23,063	103,063	
2013	80,000	18,563	98,563	
2014	85,000	14,063	99,063	
2015 - 2016	<u>185,000</u>	<u>13,219</u>	<u>198,219</u>	
	<u>\$570,000</u>	<u>\$128,237</u>	<u>\$698,237</u>	182,441
Less amount representing interest on the capital lease obligations				<u>(7,511)</u>
				<u>\$ 174,930</u>

Total interest costs are summarized as follows:

	<u>2009</u>	<u>2008</u>
Total interest incurred	\$ 47,836	\$ 48,575
Amortization of deferred debt issuance costs	8,982	9,180
Amortization of deferred refunding loss	<u>1,022</u>	<u>1,071</u>
Interest expense	<u>\$ 57,840</u>	<u>\$ 58,826</u>

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
John E. Wendling, CPA

Roger L. Johnson, CPA
Jere Noe, CPA
Gary D. Knoll, CPA
Adam C. Crouch, CPA
Heather R. Eichem, CPA

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON SUPPLEMENTAL INFORMATION

Board of Trustees
Anderson County Hospital

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole of the Anderson County Hospital for the years ended December 31, 2009 and 2008, which are presented in the preceding section of this report. The supplemental information presented hereinafter is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental statement presented on page 20 as been subjected to the audit procedures applied in the audits of the basic financial statements. In our opinion, the supplemental statement is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wendling Noe Nelson & Johnson LLC
Topeka, Kansas
June 2, 2010

ANDERSON COUNTY HOSPITAL
BALANCE IN DEPOSITORY COMPARED WITH DEPOSITORY SECURITY
December 31, 2009

	<u>Garnett State Bank</u>		<u>Patriot Bank</u>	<u>Farmers State</u>
	<u>Time deposits</u>	<u>Held in name of trustee</u>	<u>Time deposits</u>	<u>Time deposits</u>
Bank balance				
General checking	\$ 56,044	\$ -	\$ -	\$ -
General donation account	21,233			
Funds held by trustee		816		
Funded depreciation checking			13,060	
Funded depreciation certificate of deposit	198,222		90,000	
Project fund	34			
Restricted fund savings			26,038	
Restricted fund certificates of deposit			<u>335,763</u>	<u>157,000</u>
Total deposits	275,533	816	464,861	157,000
Less F.D.I.C coverage	<u>275,533</u>	<u>816</u>	<u>276,037</u>	<u>157,000</u>
Balance subject to pledging of securities	-	-	188,824	-
Market value of securities pledged	<u>2,010,429</u>		<u>311,490</u>	<u>70,972</u>
Market value of securities pledged in excess of depository requirements	<u>\$2,010,429</u>	<u>\$ -</u>	<u>\$ 122,666</u>	<u>\$ 70,972</u>