FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ANDERSON COUNTY HOSPITAL
DECEMBER 31, 2011 AND 2010

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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, 2011 and 2010. Please read it in conjunction with the accompanying basic financial statements.

Financial highlights

The Hospital's net assets decreased by $69,531 or 1.5 percent and decreased by $235,837 or 4.8 percent during the 2011 and 2010 fiscal years, respectively.

The net assets of Anderson County Hospital Foundation (the Foundation), a component unit of the Hospital, increased by $123,747 or 42.2 percent in 2011 and increased by $85,583 or 41.2 percent in 2010.

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?"

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:

	2011	2010	2009
Assets			
Current assets	$ 182,750	$ 197,407	$ 171,204
Assets limited as to use	781,409	783,549	837,078
Capital assets, net	3,985,421	3,933,553	4,325,718
Other assets	404,406	412,145	420,822
Total assets	$ 5,353,986	$ 5,326,654	$ 5,754,822
Liabilities			
Current liabilities	$ 166,059	$ 222,323	$ 299,602
Long-term obligations	580,418	427,291	542,343
Total liabilities	$ 746,477	$ 649,614	$ 841,945
Net assets	$ 4,607,509	$ 4,677,040	$ 4,912,877

Net capital assets increased during 2011 due to acquisitions exceeding depreciation expense. The majority of the acquisitions were for radiology and laboratory equipment. Net capital assets decreased during 2010 because depreciation expense exceeded acquisitions.

The Hospital incurred capital lease obligations totaling $310,987 during 2011 to finance equipment purchases.

The Hospital's net assets decreased by $69,531 or 1.5 percent and decreased by $235,837 or 4.8 percent during the 2011 and 2010 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:

	2011	2010	2009
Operating revenues	$ 524,489	$ 515,181	$ 447,289
Operating expenses	747,556	732,698	752,549
Operating loss	(223,067)	(217,517)	(305,260)
Investment income	3,165	4,122	7,749
Interest expense	(41,846)	(47,437)	(57,840)
Noncapital grants and contributions	2,815	3,941	3,513
Gain on disposal of capital assets	2	58	200
Capital grants and contributions	189,400	20,996	224,946
Change in net assets	$ (69,531)	$ (235,837)	$ (126,692)

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 2011 and 2009 for the acquisition of equipment. Investment income has decreased during each of the last three years due to decreased interest rates.

Wendling Noe Nelson & Johnson LLC

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Anderson County Hospital

We have audited the accompanying financial statements of the business-type activity and discretely presented component unit of Anderson County Hospital (the Hospital), a component unit of Anderson County, Kansas, as of and for the years ended December 31, 2011 and 2010, which collectively comprise the Hospital's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit Guide. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 respective financial position of the business-type activity and discretely presented component unit of Anderson County Hospital as of December 31, 2011 and 2010, and their respective results of operations, changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our

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inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Wendling Noe Nelson & Johnson LLC

Topeka, Kansas
July 2, 2012

FINANCIAL STATEMENTS

ANDERSON COUNTY HOSPITAL

BALANCE SHEETS

December 31,

ASSETS

	2011		2010	
	Hospital	Component unit	Hospital	Component unit
CURRENT ASSETS				
Cash	$ 62,900	$ 56,343	$ 116,388	$ 101,642
Assets limited as to use	35,549		33,527	
Prepaid expenses	8,275		9,626	
Other receivables	76,026		37,866	
Total current assets	182,750	56,343	197,407	101,642
ASSETS LIMITED AS TO USE				
Internally designated	250,428	239,020	250,303	147,267
Under indenture agreements - held by trustee	49,104		47,080	
By contributors				
For nurse training	220,258		222,854	
For debt service	297,134		296,805	
For capital acquisitions	34	121,543	34	44,250
	816,958	360,563	817,076	191,517
Less amount required to meet current liabilities	35,549		33,527	
Total assets limited as to use	781,409	360,563	783,549	191,517
CAPITAL ASSETS, NET	3,985,421	-	3,933,553	-
OTHER ASSETS				
Deferred debt issuance costs	18,598		26,337	
Due from lessee	385,808		385,808	
Total other assets	404,406	-	412,145	-
Total assets	$5,353,986	$ 416,906	$5,326,654	$ 293,159

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS

	2011		2010	
	Hospital	Component unit	Hospital	Component unit
CURRENT LIABILITIES				
Current installments of long-term debt	$ 80,000	$ -	$ 70,000	$ -
Current portion of capital lease obligations	58,337		45,997	
Accounts payable	21,675		99,295	
Accrued interest payable	6,047		7,031	
Total current liabilities	166,059	-	222,323	-
LONG-TERM DEBT, less current maturities	348,087		427,291	
CAPITAL LEASE OBLIGATIONS, less current portion	232,331			
Total liabilities	746,477	-	649,614	-
NET ASSETS				
Invested in capital assets - net of related debt	3,280,220		3,403,817	
Restricted				
For debt service	332,683		330,332	
Expendable for capital acquisitions	34	121,543	34	44,250
For specific operating activities	220,258		222,854	
Unrestricted	774,314	295,363	720,003	248,909
Total net assets	4,607,509	416,906	4,677,040	293,159
Total liabilities and net assets	$5,353,986	$ 416,906	$5,326,654	$ 293,159

ANDERSON COUNTY HOSPITAL

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year ended December 31,

	2011		2010	
	Hospital	Component unit	Hospital	Component unit
Operating revenues				
Medical office building rent	$ 99,160	$ -	$ 114,000	$ -
Hospital rent	425,329		401,181	
Total operating revenues	524,489	-	515,181	-
Operating expenses				
Supplies and other expenses	64,826	16,366	83,383	22,092
Depreciation and amortization	682,730		649,315	
Total operating expenses	747,556	16,366	732,698	22,092
Operating loss	(223,067)	(16,366)	(217,517)	(22,092)
Nonoperating revenues (expenses)				
Investment income	3,165	17,738	4,122	(2,297)
Interest expense	(41,846)		(47,437)	
Noncapital grants and contributions	2,815	73,025	3,941	65,722
Gain on disposal of capital assets	2		58	
Total nonoperating revenues (expenses)	(35,864)	90,763	(39,316)	63,425
Excess of revenues over expenses (expenses over revenues) before capital grants and contributions	(258,931)	74,397	(256,833)	41,333
Capital grants and contributions	189,400	49,350	20,996	44,250
Change in net assets	(69,531)	123,747	(235,837)	85,583
Net assets at beginning of year	4,677,040	293,159	4,912,877	207,576
Net assets at end of year	$4,607,509	$ 416,906	$4,677,040	$ 293,159

The accompanying notes are an integral part of these statements.

ANDERSON COUNTY HOSPITAL

STATEMENTS OF CASH FLOWS

Year ended December 31,

	2011		2010	
	Hospital	Component unit	Hospital	Component unit
Cash flows from operating activities				
Receipts from lessee	$ 486,282	$ -	$ 544,966	$ -
Payments for supplies and services	(54,407)	(16,366)	(76,666)	(22,092)
Net cash provided (used) by operating activities	431,875	(16,366)	468,300	(22,092)
Cash flows from noncapital financing activities				
Noncapital grants and contributions	2,815	73,025	3,941	65,722
Cash flows from capital and related financing activities				
Acquisition of capital assets	(821,287)		(256,262)	
Capital grants and contributions	189,400	49,350	20,996	49,322
Proceeds from sale of capital assets	2		58	
Capital lease obligations incurred	310,987			
Payments on capital lease obligations	(66,316)		(128,933)	
Principal payments on long-term debt	(70,000)		(70,000)	
Interest paid	(34,295)		(38,953)	
Net cash provided (used) by capital and related financing activities	(491,509)	49,350	(473,094)	49,322
Cash flows from investing activities				
Change in assets limited as to use	265	(158,645)	41,414	(197,414)
Investment income received	3,066	7,337	3,583	3,600
Net cash provided (used) by investing activities	3,331	(151,308)	44,997	(193,814)
Net change in cash and cash equivalents	(53,488)	(45,299)	44,144	(100,862)
Cash and cash equivalents at beginning of year	116,388	101,642	72,244	202,504
Cash and cash equivalents at end of year	$ 62,900	$ 56,343	$ 116,388	$ 101,642

The accompanying notes are an integral part of these statements.

ANDERSON COUNTY HOSPITAL

STATEMENTS OF CASH FLOWS - CONTINUED

Year ended December 31,

	2011		2010	
	Hospital	Component unit	Hospital	Component unit
Reconciliation of operating loss to net cash provided (used) by operating activities				
Operating loss	$ (223,067)	$ (16,366)	$ (217,517)	$ (22,092)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities				
Depreciation and amortization	682,730		649,315	
Changes in				
Receivables and prepaid expenses	(36,856)		30,595	
Accounts payable	9,068		5,907	
Net cash provided (used) by operating activities	$ 431,875	$ (16,366)	$ 468,300	$ (22,092)

The accompanying notes are an integral part of these statements.

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 Saint Luke's Hospital of Kansas City (Saint Luke's) all of the real estate, equipment, and facilities constituting the Hospital for a period of eight years and it also transferred to Saint Luke's all nonrestricted current assets and current liabilities as then recorded on the books of the Hospital. Saint 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. Saint 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, Saint 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, Saint 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 Saint 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.

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.

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.

12. Subsequent events

The Hospital has evaluated subsequent events through July 2, 2012, which is the date the financial statements were available to be issued.

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, 2011, the carrying amount of the Hospital's bank deposits, including certificates of deposit, was $828,164 and the bank balances were $829,992. Of the bank balances, $657,816 was covered by federal depository insurance, and $172,176 was covered by collateral held by a third-party bank, but not registered in the Hospital's name.

NOTE B - DEPOSITS WITH FINANCIAL INSTITUTIONS - Continued

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

Cash	$ 62,900
Assets limited as to use	
Internally designated	250,428
Under indenture agreement - held by trustee	816
By contributors for nurse training	216,852
By contributors for debt service	297,134
By contributors for capital acquisition	34
Total bank deposits	$ 828,164

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:

	2011	2010
Internally designated		
Cash and certificate of deposit	$ 250,428	$ 250,303
Under indenture agreement - held by trustee		
Cash	$ 816	$ 816
Money market funds	48,288	46,264
	$ 49,104	$ 47,080
By contributors for nurse training		
Cash and certificates of deposit	$ 216,852	$ 219,595
Scholarship loans	1,549	1,549
Interest receivable	1,857	1,710
	$ 220,258	$ 222,854
By contributors for debt service		
Cash and certificates of deposit	$ 297,134	$ 296,805
By contributors for capital acquisitions		
Cash	$ 34	$ 34

NOTE C - ASSETS LIMITED AS TO USE - Continued

The composition of the Foundation's assets limited as to use is as follows:

	2011	2010
Internally designated		
Cash	$ -	$ 4,813
Money market funds	79,204	
Fixed income mutual funds	159,816	142,454
	$ 239,020	$ 147,267
By contributors for capital acquisitions		
Cash	$ 121,543	$ 44,250

NOTE D - CAPITAL ASSETS

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

	2011			
	Beginning balance	Transfers and additions	Retirements	Ending balance
Land	$ 69,271	$ -	$ -	$ 69,271
Land improvements	47,954			47,954
Buildings	5,621,536			5,621,536
Fixed equipment	1,304,082	194,588		1,498,670
Major movable equipment	3,364,067	635,888		3,999,955
Ambulance equipment	204,863			204,863
Totals at historical cost	10,611,773	830,476	-	11,442,249
Less accumulated depreciation and amortization				
Land improvements	41,504	3,107		44,611
Buildings	3,239,543	265,036		3,504,579
Fixed equipment	834,309	75,303		909,612
Major movable equipment	2,653,705	304,261		2,957,966
Ambulance equipment	90,627	35,023		125,650
	6,859,688	682,730	-	7,542,418
	3,752,085	147,746		3,899,831
Construction in progress	181,468	(95,878)		85,590
Capital assets, net	$ 3,933,553	$ 51,868	$ -	$ 3,985,421

NOTE D - CAPITAL ASSETS - Continued

	2010			
	Beginning balance	Transfers and additions	Retirements	Ending balance
Land	$ 69,271	$ -	$ -	$ 69,271
Land improvements	47,954			47,954
Buildings	5,585,885	35,651		5,621,536
Fixed equipment	1,304,082			1,304,082
Major movable equipment	3,224,297	139,770		3,364,067
Ambulance equipment	162,102	42,761		204,863
Totals at historical cost	10,393,591	218,182	-	10,611,773
Less accumulated depreciation and amortization				
Land improvements	38,397	3,107		41,504
Buildings	2,976,155	263,388		3,239,543
Fixed equipment	772,427	61,882		834,309
Major movable equipment	2,369,464	284,241		2,653,705
Ambulance equipment	53,930	36,697		90,627
	6,210,373	649,315	-	6,859,688
	4,183,218	(431,133)		3,752,085
Construction in progress	142,500	38,968		181,468
Capital assets, net	$ 4,325,718	$ (392,165)	$ -	$ 3,933,553

NOTE E - DEFERRED DEBT ISSUANCE COSTS

Deferred debt issuance costs are summarized as follows:

	2011	2010
Costs	$ 63,000	$ 63,000
Less accumulated amortization	44,402	36,663
	$ 18,598	$ 26,337

NOTE F - DUE FROM LESSEE

Unrestricted assets and liabilities transferred to Saint 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	(200,000)
Due from lessee	$ 385,808

NOTE G - LONG-TERM DEBT

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

	2011	2010
City of Garnett, Kansas Industrial Revenue Bonds Series 2006A, issued December 15, 2006, in the original amount of $500,000, 5.625% term bonds due October 1, 2016, with mandatory redemptions beginning April 1, 2011	$ 430,000	$ 500,000
Unamorized deferred refunding loss	(1,913)	(2,709)
	428,087	497,291
Less current maturities of long-term debt	(80,000)	(70,000)
	$ 348,087	$ 427,291
Capital lease obligations, imputed interest rates of 3.00% to 6.17%, collateralized by leased equipment with an unamortized cost of $353,565 at December 31, 2011	$ 290,668	$ 45,997
Less current portion of capital lease obligations	(58,337)	(45,997)
	$ 232,331	$ -

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.

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. The advance refunding increased total future debt service requirements of the Hospital by $35,725. This resulted in an economic loss (the 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.

NOTE G - LONG-TERM DEBT - Continued

With the commencement of the lease described in Note A1, Saint Luke's became the sublessee of the medical office building. Rental payments from Saint 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:

	Long-term debt	Capital lease obligations
Outstanding at January 1, 2010	$ 570,000	$ 174,930
Principal payments	(70,000)	(128,933)
Outstanding at January 1, 2011	500,000	45,997
Obligations incurred		310,987
Principal payments	(70,000)	(66,316)
Outstanding at December 31, 2011	$ 430,000	$ 290,668

Scheduled annual debt service requirements are as follows:

	Long-term debt			Capital lease obligations
	Principal	Interest	Total	
2012	$ 80,000	$ 23,063	$103,063	$ 69,117
2013	80,000	18,563	98,563	69,117
2014	85,000	14,063	99,063	69,117
2015	90,000	9,141	99,141	69,117
2016	95,000	4,078	99,078	42,388
	$430,000	$ 68,908	$498,908	318,856
Less amount representing interest on the capital lease obligations				(28,188)
				$ 290,668

NOTE G - LONG-TERM DEBT - Continued

Total interest costs are summarized as follows:

	2011	2010
Total interest incurred	$ 33,311	$ 37,815
Amortization of deferred debt issuance costs	7,739	8,677
Amortization of deferred refunding loss	796	945
Interest expense	$ 41,846	$ 47,437

NOTE H - 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.

SUPPLEMENTARY INFORMATION

Wendling Noe Nelson & Johnson LLC

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. Eichem, CPA

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON SUPPLEMENTARY INFORMATION

Board of Trustees
Anderson County Hospital

We have audited the financial statements of Anderson County Hospital as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated July 2, 2012, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary information presented hereinafter is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Wendling Noe Nelson & Johnson LLC

Topeka, Kansas
July 2, 2012

Bank of America Tower, 534 S. Kansas Ave., Suite 1500, Topeka, Kansas 66603-3491
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ANDERSON COUNTY HOSPITAL

BALANCE IN DEPOSITORY COMPARED WITH DEPOSITORY SECURITY

December 31, 2011

	Garnett State Bank		Patriot Bank	Farmers State Bank
	Time deposits	Held in name of trustee	Time deposits	Time deposits
Bank balance				
General checking	$ 38,893	$ -	$ -	$ -
General donation account	25,440			
Funds held by trustee		816		
Funded depreciation checking			22,221	
Funded depreciation certificate of deposit	198,222		30,000	
Project fund	34			
Restricted fund savings			20,739	
Restricted fund certificates of deposit			336,627	157,000
Total deposits	262,589	816	409,587	157,000
Less F.D.I.C coverage	250,000	816	250,000	157,000
Balance subject to pledging of securities	12,589	-	159,587	-
Market value of securities pledged	1,435,293		313,428	8,852
Market value of securities pledged in excess of depository requirements	$1,422,704	$ -	$ 153,841	$ 8,852