

FINANCIAL STATEMENTS AND REPORT OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
ANDERSON COUNTY HOSPITAL  
DECEMBER 31, 2012 AND 2011

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

### Financial highlights

The Hospital's net position decreased by \$116,804 or 2.5 percent and decreased by \$69,531 or 1.5 percent during the 2012 and 2011 fiscal years, respectively.

The net position of Anderson County Hospital Foundation (the Foundation), a component unit of the Hospital, decreased by \$68,666 or 16.5 percent in 2012, and increased by \$123,747 or 42.2 percent in 2011.

### Using these financial statements

The Hospital'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 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 Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position 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 position and changes in it. The Hospital'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 Hospital'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 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 position

The Hospital'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	\$ 378,592	\$ 182,750	\$ 197,407
Assets limited as to use	799,875	781,409	783,549
Capital assets, net	3,803,808	3,985,421	3,933,553
Other assets	<u>397,916</u>	<u>404,406</u>	<u>412,145</u>
Total assets	<u>\$ 5,380,191</u>	<u>\$ 5,353,986</u>	<u>\$ 5,326,654</u>
Liabilities			
Current liabilities	\$ 449,261	\$ 166,059	\$ 222,323
Long-term obligations	<u>440,225</u>	<u>580,418</u>	<u>427,291</u>
Total liabilities	<u>\$ 889,486</u>	<u>\$ 746,477</u>	<u>\$ 649,614</u>
Net position	<u>\$ 4,490,705</u>	<u>\$ 4,607,509</u>	<u>\$ 4,677,040</u>

Net capital assets decreased during 2012 due to depreciation expense exceeding acquisitions. Net capital assets increased during 2011 due to acquisitions exceeding depreciation expense.

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

The Hospital's net position decreased by \$116,804 or 2.5 percent and decreased by \$69,531 or 1.5 percent during the 2012 and 2011 fiscal years, respectively.

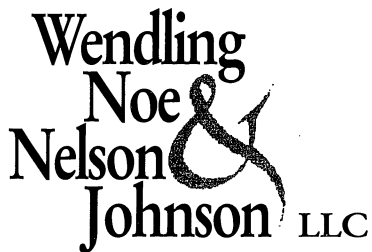
## Operating results and changes in net position

The Hospital'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	\$ 541,694	\$ 524,489	\$ 515,181
Operating expenses	<u>753,624</u>	<u>747,556</u>	<u>732,698</u>
Operating loss	(211,930)	(223,067)	(217,517)
Investment income	3,874	3,165	4,122
Interest expense	(39,876)	(41,846)	(47,437)
Noncapital grants and contributions	7,046	2,815	3,941
Gain on disposal of capital assets	1,723	2	58
Capital grants and contributions	<u>122,359</u>	<u>189,400</u>	<u>20,996</u>
Change in net position	<u>\$ (116,804)</u>	<u>\$ (69,531)</u>	<u>\$ (235,837)</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

The most significant component of the overall change in the Hospital's net position is its operating loss - generally, the difference between rent income and the expenses incurred in connection with the rental activity. The Hospital received from the Foundation significant contributions during 2012 and 2011 for the acquisition of equipment.



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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, 2012 and 2011, which collectively comprise the Hospital'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 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, 2012 and 2011, and the respective 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 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 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 page 20 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 Noel Nelson & Johnson LLC*  
Topeka, Kansas  
May 17, 2013

FINANCIAL STATEMENTS



ANDERSON COUNTY HOSPITAL  
STATEMENTS OF NET POSITION  
December 31,

	2012		2011	
	<u>Hospital</u>	<u>Component unit</u>	<u>Hospital</u>	<u>Component unit</u>
CURRENT ASSETS				
Cash	\$ 268,305	\$ 89,583	\$ 62,900	\$ 56,343
Assets limited as to use	25,745		35,549	
Prepaid expenses	7,459		8,275	
Other receivables	<u>77,083</u>		<u>76,026</u>	
Total current assets	<u>378,592</u>	<u>89,583</u>	<u>182,750</u>	<u>56,343</u>
ASSETS LIMITED AS TO USE				
Internally designated	250,502	258,652	250,428	239,020
Under indenture agreements - held by trustee	25,745		49,104	
By contributors				
For nurse training	220,088		220,258	
For debt service	297,437		297,134	
For capital acquisitions	<u>31,848</u>	<u>5</u>	<u>34</u>	<u>121,543</u>
	825,620	258,657	816,958	360,563
Less amount required to meet current liabilities	<u>25,745</u>		<u>35,549</u>	
Total assets limited as to use	<u>799,875</u>	<u>258,657</u>	<u>781,409</u>	<u>360,563</u>
CAPITAL ASSETS, NET	<u>3,803,808</u>	<u>-</u>	<u>3,985,421</u>	<u>-</u>
OTHER ASSETS				
Deferred debt issuance costs	12,108		18,598	
Due from lessee	<u>385,808</u>		<u>385,808</u>	
Total other assets	<u>397,916</u>	<u>-</u>	<u>404,406</u>	<u>-</u>
Total assets	<u>\$ 5,380,191</u>	<u>\$ 348,240</u>	<u>\$ 5,353,986</u>	<u>\$ 416,906</u>

The accompanying notes are an integral part of these statements.

# LIABILITIES AND NET POSITION

	2012		2011	
	<u>Hospital</u>	<u>Component unit</u>	<u>Hospital</u>	<u>Component unit</u>
CURRENT LIABILITIES				
Current installments of long-term debt	\$ 80,000	\$ -	\$ 80,000	\$ -
Current portion of capital lease obligations	60,860		58,337	
Accounts payable	303,479		21,675	
Accrued interest payable	<u>4,922</u>	<u></u>	<u>6,047</u>	<u></u>
Total current liabilities	449,261	-	166,059	-
LONG-TERM DEBT, less current maturities	268,754		348,087	
CAPITAL LEASE OBLIGATIONS, less current portion	<u>171,471</u>	<u></u>	<u>232,331</u>	<u></u>
Total liabilities	<u>889,486</u>	<u>-</u>	<u>746,477</u>	<u>-</u>
NET POSITION				
Invested in capital assets - net of related debt	3,092,723		3,280,220	
Restricted				
For debt service	323,183		332,683	
Expendable for capital acquisitions	31,848	5	34	121,543
For specific operating activities	220,088		220,258	
Unrestricted	<u>822,863</u>	<u>348,235</u>	<u>774,314</u>	<u>295,363</u>
Total net position	<u>4,490,705</u>	<u>348,240</u>	<u>4,607,509</u>	<u>416,906</u>
Total liabilities and net position	<u>\$ 5,380,191</u>	<u>\$ 348,240</u>	<u>\$ 5,353,986</u>	<u>\$ 416,906</u>

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

	2012		2011	
	<u>Hospital</u>	<u>Component unit</u>	<u>Hospital</u>	<u>Component unit</u>
Operating revenues				
Medical office building rent	\$ 93,255	\$ -	\$ 99,160	\$ -
Hospital rent	<u>448,439</u>		<u>425,329</u>	
Total operating revenues	<u>541,694</u>	<u>-</u>	<u>524,489</u>	<u>-</u>
Operating expenses				
Supplies and other expenses	66,956	15,436	64,826	16,366
Depreciation and amortization	<u>686,668</u>		<u>682,730</u>	
Total operating expenses	<u>753,624</u>	<u>15,436</u>	<u>747,556</u>	<u>16,366</u>
Operating loss	<u>(211,930)</u>	<u>(15,436)</u>	<u>(223,067)</u>	<u>(16,366)</u>
Nonoperating revenues (expenses)				
Investment income	3,874	21,613	3,165	17,738
Interest expense	(39,876)		(41,846)	
Noncapital grants and contributions	7,046	47,516	2,815	73,025
Gain on disposal of capital assets	<u>1,723</u>		<u>2</u>	
Total nonoperating revenues (expenses)	<u>(27,233)</u>	<u>69,129</u>	<u>(35,864)</u>	<u>90,763</u>
Excess of revenues over expenses (expenses over revenues) before capital grants and contributions	(239,163)	53,693	(258,931)	74,397
Capital grants and contributions	<u>122,359</u>	<u>(122,359)</u>	<u>189,400</u>	<u>49,350</u>
Change in net position	(116,804)	(68,666)	(69,531)	123,747
Net position at beginning of year	<u>4,607,509</u>	<u>416,906</u>	<u>4,677,040</u>	<u>293,159</u>
Net position at end of year	<u>\$ 4,490,705</u>	<u>\$ 348,240</u>	<u>\$ 4,607,509</u>	<u>\$ 416,906</u>

The accompanying notes are an integral part of these statements.

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

	2012		2011	
	<u>Hospital</u>	<u>Component unit</u>	<u>Hospital</u>	<u>Component unit</u>
Cash flows from operating activities				
Receipts from lessee	\$ 540,677	\$ -	\$ 486,282	\$ -
Payments for supplies and services	<u>(65,867)</u>	<u>(15,436)</u>	<u>(54,407)</u>	<u>(16,366)</u>
Net cash provided (used) by operating activities	<u>474,810</u>	<u>(15,436)</u>	<u>431,875</u>	<u>(16,366)</u>
Cash flows from noncapital financing activities				
Noncapital grants and contributions	<u>7,046</u>	<u>47,516</u>	<u>2,815</u>	<u>73,025</u>
Cash flows from capital and related financing activities				
Acquisition of capital assets	(223,525)		(821,287)	
Capital grants and contributions	122,359	(122,359)	189,400	49,350
Proceeds from sale of capital assets	1,723		2	
Capital lease obligations incurred			310,987	
Payments on capital lease obligations	(58,337)		(66,316)	
Principal payments on long-term debt	(80,000)		(70,000)	
Interest paid	<u>(33,842)</u>		<u>(34,295)</u>	
Net cash provided (used) by capital and related financing activities	<u>(271,622)</u>	<u>(122,359)</u>	<u>(491,509)</u>	<u>49,350</u>
Cash flows from investing activities				
Change in assets limited as to use	(8,540)	113,891	265	(158,645)
Investment income received	<u>3,711</u>	<u>9,628</u>	<u>3,066</u>	<u>7,337</u>
Net cash provided (used) by investing activities	<u>(4,829)</u>	<u>123,519</u>	<u>3,331</u>	<u>(151,308)</u>
Net change in cash and cash equivalents	205,405	33,240	(53,488)	(45,299)
Cash and cash equivalents at beginning of year	<u>62,900</u>	<u>56,343</u>	<u>116,388</u>	<u>101,642</u>
Cash and cash equivalents at end of year	<u>\$ 268,305</u>	<u>\$ 89,583</u>	<u>\$ 62,900</u>	<u>\$ 56,343</u>

The accompanying notes are an integral part of these statements.

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

	2012		2011	
	<u>Hospital</u>	<u>Component unit</u>	<u>Hospital</u>	<u>Component unit</u>
Reconciliation of operating loss to net cash provided (used) by operating activities				
Operating loss	\$ (211,930)	\$ (15,436)	\$ (223,067)	\$ (16,366)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities				
Depreciation and amortization	686,668		682,730	
Changes in				
Receivables and prepaid expenses	(201)		(36,856)	
Accounts payable	<u>273</u>	<u></u>	<u>9,068</u>	<u></u>
Net cash provided (used) by operating activities	<u>\$ 474,810</u>	<u>\$ (15,436)</u>	<u>\$ 431,875</u>	<u>\$ (16,366)</u>

The accompanying notes are an integral part of these statements.

ANDERSON COUNTY HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011

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.

ANDERSON COUNTY HOSPITAL  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
December 31, 2012 and 2011

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.

8. Net position

Net position of the Hospital is classified into three components. "Net position invested in capital assets net of related debt" consists 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

ANDERSON COUNTY HOSPITAL  
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, contributors, or others external to the Hospital, including amounts deposited with trustees as required by indenture agreements. "Unrestricted net position" is the remaining net position that does not meet the definitions of the other two components of net position.

9. Operating revenues and expenses

The Hospital'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 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 May 17, 2013, 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, 2012, the carrying amount of the Hospital's bank deposits, including certificates of deposit, was \$1,067,016 and the bank balances were \$1,072,446. Of the bank balances, \$657,816 was covered by federal depository insurance, and \$414,630 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, 2012 and 2011

NOTE B - DEPOSITS WITH FINANCIAL INSTITUTIONS - Continued

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

Cash	\$ 268,305
Assets limited as to use	
Internally designated	250,502
Under indenture agreement - held by trustee	816
By contributors for nurse training	218,108
By contributors for debt service	297,437
By contributors for capital acquisition	<u>31,848</u>
Total bank deposits	<u>\$ 1,067,016</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>2012</u>	<u>2011</u>
Internally designated		
Cash and certificate of deposit	<u>\$ 250,502</u>	<u>\$ 250,428</u>
Under indenture agreement - held by trustee		
Cash	\$ 816	\$ 816
Money market funds	<u>24,929</u>	<u>48,288</u>
	<u>\$ 25,745</u>	<u>\$ 49,104</u>
By contributors for nurse training		
Cash and certificates of deposit	\$ 218,108	\$ 216,852
Scholarship loans		1,549
Interest receivable	<u>1,980</u>	<u>1,857</u>
	<u>\$ 220,088</u>	<u>\$ 220,258</u>
By contributors for debt service		
Cash and certificates of deposit	<u>\$ 297,437</u>	<u>\$ 297,134</u>
By contributors for capital acquisitions		
Cash	<u>\$ 31,848</u>	<u>\$ 34</u>

ANDERSON COUNTY HOSPITAL  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
December 31, 2012 and 2011

NOTE C - ASSETS LIMITED AS TO USE - Continued

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

	<u>2012</u>	<u>2011</u>
Internally designated		
Money market funds	\$ 3,192	\$ 79,204
Fixed income mutual funds	<u>255,460</u>	<u>159,816</u>
	<u>\$ 258,652</u>	<u>\$ 239,020</u>
By contributors for capital acquisitions		
Cash	<u>\$ 5</u>	<u>\$ 121,543</u>

NOTE D - CAPITAL ASSETS

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

	<u>2012</u>		
	<u>Beginning balance</u>	<u>Transfers and additions</u>	<u>Ending balance</u>
Land	\$ 69,271	\$ -	\$ 69,271
Land improvements	47,954		47,954
Buildings	5,621,536		5,621,536
Fixed equipment	1,498,670	53,727	1,552,397
Major movable equipment	3,999,955	112,694	4,112,649
Ambulance equipment	<u>204,863</u>		<u>204,863</u>
Totals at historical cost	<u>11,442,249</u>	<u>166,421</u>	<u>11,608,670</u>
Less accumulated depreciation and amortization			
Land improvements	44,611	2,133	46,744
Buildings	3,504,579	241,483	3,746,062
Fixed equipment	909,612	90,535	1,000,147
Major movable equipment	2,957,966	323,444	3,281,410
Ambulance equipment	<u>125,650</u>	<u>29,073</u>	<u>154,723</u>
	<u>7,542,418</u>	<u>686,668</u>	<u>8,229,086</u>
	3,899,831	(520,247)	3,379,584
Construction in progress	<u>85,590</u>	<u>338,634</u>	<u>424,224</u>
Capital assets, net	<u>\$ 3,985,421</u>	<u>\$ (181,613)</u>	<u>\$ 3,803,808</u>

ANDERSON COUNTY HOSPITAL  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
December 31, 2012 and 2011

NOTE D - CAPITAL ASSETS - Continued

	2011			
	<u>Beginning balance</u>	<u>Transfers and additions</u>	<u>Retirements</u>	<u>Ending balance</u>
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	<u>10,611,773</u>	<u>830,476</u>	<u>-</u>	<u>11,442,249</u>
Less accumulated deprecia- tion 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
	<u>6,859,688</u>	<u>682,730</u>	<u>-</u>	<u>7,542,418</u>
Construction in progress	3,752,085 <u>181,468</u>	147,746 <u>(95,878)</u>		3,899,831 <u>85,590</u>
Capital assets, net	<u>\$ 3,933,553</u>	<u>\$ 51,868</u>	<u>\$ -</u>	<u>\$ 3,985,421</u>

NOTE E - DEFERRED DEBT ISSUANCE COSTS

Deferred debt issuance costs are summarized as follows:

	<u>2012</u>	<u>2011</u>
Costs	\$ 63,000	\$ 63,000
Less accumulated amortization	<u>50,892</u>	<u>44,402</u>
	<u>\$ 12,108</u>	<u>\$ 18,598</u>

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	<u>(200,000)</u>
Due from lessee	<u>\$ 385,808</u>

ANDERSON COUNTY HOSPITAL  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
December 31, 2012 and 2011

NOTE G - LONG-TERM DEBT

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

	<u>2012</u>	<u>2011</u>
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	\$ 350,000	\$ 430,000
Unamortized deferred refunding loss	<u>(1,246)</u>	<u>(1,913)</u>
	348,754	428,087
Less current maturities of long-term debt	<u>(80,000)</u>	<u>(80,000)</u>
	<u>\$ 268,754</u>	<u>\$ 348,087</u>
Capital lease obligations, imputed interest rates of 3.00% to 6.00%, collateralized by leased equipment with an unamortized cost of \$217,690 at December 31, 2012	\$ 232,331	\$ 290,668
Less current portion of capital lease obligations	<u>(60,860)</u>	<u>(58,337)</u>
	<u>\$ 171,471</u>	<u>\$ 232,331</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.

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 the 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.

ANDERSON COUNTY HOSPITAL  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
December 31, 2012 and 2011

NOTE G - LONG-TERM DEBT - Continued

With the commencement of the lease described in Note A1, Saint Luke's became the sub-lessee 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:

	<u>Long-term debt</u>	<u>Capital lease obligations</u>
Outstanding at January 1, 2011	\$ 500,000	\$ 45,997
Obligations incurred		310,987
Principal payments	<u>(70,000)</u>	<u>(66,316)</u>
Outstanding at January 1, 2012	430,000	290,668
Principal payments	<u>(80,000)</u>	<u>(58,337)</u>
Outstanding at December 31, 2012	<u>\$ 350,000</u>	<u>\$ 232,331</u>

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>	
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	<u>95,000</u>	<u>4,078</u>	<u>99,078</u>	<u>42,388</u>
	<u>\$350,000</u>	<u>\$ 45,845</u>	<u>\$395,845</u>	249,739
Less amount representing interest on the capital lease obligations				<u>(17,408)</u>
				<u>\$ 232,331</u>

ANDERSON COUNTY HOSPITAL  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
December 31, 2012 and 2011

NOTE G - LONG-TERM DEBT - Continued

Total interest costs are summarized as follows:

	<u>2012</u>	<u>2011</u>
Total interest incurred	\$ 32,719	\$ 33,311
Amortization of deferred debt issuance costs	6,490	7,739
Amortization of deferred refunding loss	<u>667</u>	<u>796</u>
Interest expense	<u>\$ 39,876</u>	<u>\$ 41,846</u>

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

ANDERSON COUNTY HOSPITAL  
BALANCE IN DEPOSITORY COMPARED WITH DEPOSITORY SECURITY  
December 31, 2012

	Garnett State Bank		Patriot Bank	Farmers State Bank
	<u>Time deposits</u>	<u>Held in name of trustee</u>	<u>Time deposits</u>	<u>Time deposits</u>
Bank balance				
General checking	\$ 244,939	\$ -	\$ -	\$ -
General donation account	28,399			
Funds held by trustee		816		
Funded depreciation checking			22,296	
Funded depreciation certificate of deposit	198,222		30,000	
Project fund	31,848			
Restricted fund savings			22,001	
Restricted fund certificates of deposit			<u>336,925</u>	<u>157,000</u>
Total deposits	503,408	816	411,222	157,000
Less F.D.I.C coverage	<u>250,000</u>	<u>816</u>	<u>250,000</u>	<u>157,000</u>
Balance subject to pledging of securities	253,408	-	161,222	-
Market value of securities pledged	<u>1,017,825</u>		<u>306,276</u>	<u>6,908</u>
Market value of securities pledged in excess of depository requirements	<u>\$ 764,417</u>	<u>\$ -</u>	<u>\$ 145,054</u>	<u>\$ 6,908</u>