

**Board of Trustees of Republic County Hospital  
A Component Unit of Republic County, Kansas**

Independent Accountants' Report and Financial Statements

September 30, 2012 and 2011

**Board of Trustees of Republic County Hospital**  
**A Component Unit of Republic County, Kansas**  
**September 30, 2012 and 2011**

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## Independent Accountants' Report

Board of Trustees  
Board of Trustees of Republic County Hospital  
Belleville, Kansas

We have audited the accompanying balance sheets of the Board of Trustees of Republic County Hospital (Board of Trustees), a component unit of Republic County, Kansas as of September 30, 2012 and 2011, 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 Board of Trustees of Republic County Hospital. 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 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 that 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 Board of Trustees of Republic County Hospital as of September 30, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Board of Trustees has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

*BKD, LLP*

January 25, 2013

**Board of Trustees of Republic County Hospital**  
**A Component Unit of Republic County, Kansas**

**Balance Sheets**  
**September 30, 2012 and 2011**

**Assets**

|  | <b>2012</b>  | <b>2011</b>  |
|--|--------------|--------------|
| <b>Current Assets</b>                              |              |              |
| Cash   | \$ 80,835    | \$ 192,673   |
| Due from Hospital                                  | 48,728       | 57,888       |
| Interest receivable                                | 1,200        | 1,160        |
| Taxes receivable                                   | 16,957       | 15,825       |
| Notes receivable                                   | 19,250       | 21,050       |
|  | <hr/>        | <hr/>        |
| Total current assets                               | 166,970      | 288,596      |
|  | <hr/>        | <hr/>        |
| <b>Certificates of Deposit</b>                     | 816,513      | 810,081      |
|  | <hr/>        | <hr/>        |
| <b>Assets Limited As To Use</b>                    |              |              |
| Funds held by County for construction/debt service | 18,130       | 186,039      |
| Permanently restricted funds                       | 412,871      | 412,871      |
|  | <hr/>        | <hr/>        |
|  | 431,001      | 598,910      |
|  | <hr/>        | <hr/>        |
| <b>Capital Assets, Net</b>                         | 1,137,056    | 1,040,290    |
|  | <hr/>        | <hr/>        |
| <b>Due From Hospital</b>                           | 102,355      | 151,083      |
|  | <hr/>        | <hr/>        |
| Total assets                                       | \$ 2,653,895 | \$ 2,888,960 |
|  | <hr/> <hr/>  | <hr/> <hr/>  |

## Liabilities and Net Assets

|   | 2012                     | 2011                     |
|---|--------------------------|--------------------------|
| <b>Current Liabilities</b>                      |                          |                          |
| Current maturities of long-term debt            | \$ 78,728                | \$ 87,888                |
| Interest payable                                | 6,120                    | 6,120                    |
| Deposits  | 2,500                    | 2,000                    |
| Due to Hospital                                 | 87                       | 816                      |
|   | <hr/>                    | <hr/>                    |
| Total current liabilities                       | 87,435                   | 96,824                   |
|   |                          |                          |
| <b>Long-term Debt, Less Current Maturities</b>  | <hr/> 642,355            | <hr/> 721,083            |
|   |                          |                          |
| Total liabilities                               | <hr/> 729,790            | <hr/> 817,907            |
|   |                          |                          |
| <b>Net Assets</b>                               |                          |                          |
| Invested in capital assets, net of related debt | 567,056                  | 440,290                  |
| Restricted                                      |                          |                          |
| Nonexpendable permanent endowments              | 412,871                  | 412,871                  |
| Unrestricted                                    | 944,178                  | 1,217,892                |
|   | <hr/>                    | <hr/>                    |
| Total net assets                                | <hr/> 1,924,105          | <hr/> 2,071,053          |
|   |                          |                          |
| Total liabilities and net assets                | <hr/> <hr/> \$ 2,653,895 | <hr/> <hr/> \$ 2,888,960 |

**Board of Trustees of Republic County Hospital**  
**A Component Unit of Republic County, Kansas**  
**Statements of Revenues, Expenses and Changes in Net Assets**  
**Years Ended September 30, 2012 and 2011**

|  | <u>2012</u>                | <u>2011</u>                |
|--|----------------------------|----------------------------|
| <b>Operating Revenues</b>                |                            |                            |
| Clinic revenue                           | \$ 107,182                 | \$ 109,155                 |
| Independent living revenue               | 84,884                     | 59,596                     |
| Tax revenue                              | 218,516                    | 207,516                    |
| Other                                    | <u>18,629</u>              | <u>14,405</u>              |
| Total operating revenues                 | <u>429,211</u>             | <u>390,672</u>             |
| <b>Operating Expenses</b>                |                            |                            |
| Clinic expense                           | 103,102                    | 107,229                    |
| Independent living expense               | 67,337                     | 36,421                     |
| Board expense                            | 9,853                      | 11,900                     |
| Depreciation                             | <u>104,062</u>             | <u>81,056</u>              |
| Total operating expenses                 | <u>284,354</u>             | <u>236,606</u>             |
| <b>Operating Income</b>                  | <u>144,857</u>             | <u>154,066</u>             |
| <b>Nonoperating Revenues (Expenses)</b>  |                            |                            |
| Investment income                        | 9,554                      | 16,247                     |
| Contribution to Hospital for operations  | (278,408)                  | (67,302)                   |
| Interest expense                         | <u>(22,951)</u>            | <u>(408)</u>               |
| Total nonoperating revenues (expenses)   | <u>(291,805)</u>           | <u>(51,463)</u>            |
| <b>Increase (Decrease) in Net Assets</b> | (146,948)                  | 102,603                    |
| <b>Net Assets, Beginning of Year</b>     | <u>2,071,053</u>           | <u>1,968,450</u>           |
| <b>Net Assets, End of Year</b>           | <u><u>\$ 1,924,105</u></u> | <u><u>\$ 2,071,053</u></u> |

**Board of Trustees of Republic County Hospital**  
**A Component Unit of Republic County, Kansas**  
**Statements of Cash Flows**  
**Years Ended September 30, 2012 and 2011**

|   | <u>2012</u>             | <u>2011</u>              |
|---|-------------------------|--------------------------|
| <b>Operating Activities</b>                               |                         |                          |
| Patient and resident revenue                              | \$ 192,066              | \$ 171,291               |
| Tax appropriations received                               | 217,384                 | 207,194                  |
| Other revenue   | 19,129                  | 14,905                   |
| Other payments  | <u>(179,221)</u>        | <u>(160,784)</u>         |
| Net cash provided by operating activities                 | <u>249,358</u>          | <u>232,606</u>           |
| <b>Noncapital Financing Activities</b>                    |                         |                          |
| Contributions to Hospital for operations                  | <u>(278,408)</u>        | <u>(67,302)</u>          |
| Net cash used in noncapital financing activities          | <u>(278,408)</u>        | <u>(67,302)</u>          |
| <b>Capital and Related Financing Activities</b>           |                         |                          |
| Purchase of capital assets                                | (200,828)               | (434,240)                |
| Proceeds from issuance of long-term debt                  | -                       | 600,000                  |
| Principal paid on long-term debt                          | (30,000)                | (195,000)                |
| Interest paid on long-term debt                           | <u>(22,951)</u>         | <u>(6,652)</u>           |
| Net cash used in capital and related financing activities | <u>(253,779)</u>        | <u>(35,892)</u>          |
| <b>Investing Activities</b>                               |                         |                          |
| Investment income   | 9,514                   | 16,882                   |
| Change in certificates of deposit                         | (6,432)                 | (11,579)                 |
| Change in funds held by County                            | <u>167,909</u>          | <u>(152,191)</u>         |
| Net cash provided by (used in) investing activities       | <u>170,991</u>          | <u>(146,888)</u>         |
| <b>Decrease in Cash</b>                                   | (111,838)               | (17,476)                 |
| <b>Cash, Beginning of Year</b>                            | <u>192,673</u>          | <u>210,149</u>           |
| <b>Cash, End of Year</b>                                  | <u><u>\$ 80,835</u></u> | <u><u>\$ 192,673</u></u> |

**Board of Trustees of Republic County Hospital**  
**A Component Unit of Republic County, Kansas**  
**Statement of Cash Flows (Continued)**  
**Years Ended September 30, 2012 and 2011**

|   | <u>2012</u>       | <u>2011</u>       |
|---|-------------------|-------------------|
| <b>Reconciliation of Net Operating Revenues to</b>  |                   |                   |
| <b>Net Cash Provided by Operating Activities</b>  |                   |                   |
| Operating income  | \$ 144,857        | \$ 154,066        |
| Depreciation  | 104,062           | 81,056            |
| Change in assets and liabilities  |                   |                   |
| Taxes receivable  | (1,132)           | (322)             |
| Notes receivable  | 1,800             | (6,050)           |
| Rent receivable   | -                 | 2,540             |
| Deposits  | 500               | 500               |
| Due to Hospital   | (729)             | 816               |
|   | <u>\$ 249,358</u> | <u>\$ 232,606</u> |
| <br><b>Supplemental Cash Flows Information</b>  |                   |                   |
| Capital lease additions entered into and subsequently<br>subleased to Great Plains of Republic County, Inc. | \$ -              | \$ 140,188        |
| Capital lease principal payments made by Great Plains<br>of Republic County, Inc. on subleases              | \$ 57,888         | \$ 73,535         |
| Capitalized interest  | \$ -              | \$ 5,610          |



**Board of Trustees of Republic County Hospital**  
**A Component Unit of Republic County, Kansas**  
**Notes to Financial Statements**  
**September 30, 2012 and 2011**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

***Nature of Operations and Reporting Entity***

The Board of Trustees of Republic County Hospital (Board of Trustees) was organized by the County Commissioners of Republic County, Kansas to operate a governmental hospital and to control the use of tax appropriations. The Board of Trustees is appointed by the County Commissioners of Republic County and is considered to be a component unit of Republic County (County). The Board of Trustees owns and rents a medical clinic building and independent living apartments.

Great Plains of Republic County, Inc. (GPRC/Hospital) is located in Belleville, Kansas and provides acute, swing-bed and long-term care services. The operations of the Hospital are reported separately from the Board of Trustees due to the lease of hospital operations to GPRC (see *Note 2*).

***Basis of Accounting and Presentation***

The financial statements of the Board of Trustees have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include tax appropriations and exchange transactions. Investment income, contributions to Hospital for operations and interest expense are included in nonoperating revenues and expenses.

The Board of Trustees prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). Pursuant to GASB Statement No. 20, the Board of Trustees has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Cash Equivalents***

The Board of Trustees considers all liquid investments with original maturities of three months or less to be cash equivalents. There were no cash equivalents at September 30, 2012 and 2011.

**Board of Trustees of Republic County Hospital**  
**A Component Unit of Republic County, Kansas**  
**Notes to Financial Statements**  
**September 30, 2012 and 2011**

***Capital Assets***

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the Board of Trustees:

|                    |               |
|--------------------|---------------|
| Land improvements  | 10 – 25 years |
| Buildings          | 5 – 40 years  |
| Fixed equipment    | 7 – 20 years  |
| Moveable equipment | 10 – 15 years |

Maintenance, repairs and renewals which neither materially add to the value of the capital assets nor appreciably prolong the life are charged to expense as incurred. Gains or losses on dispositions of capital assets are included in operations.

***Net Assets***

The Board of Trustees' unrestricted net assets are to be used solely for the benefit of the Board of Trustees. The funds are used by the Board of Trustees for capital assets purchases and for operations as approved by action of the Board of Trustees.

Restricted funds represent nonexpendable permanent endowments where the donor required the principal or corpus of the endowment be retained in perpetuity. The earnings on the endowment fund are not restricted and are used as earned.

***Tax Appropriations***

The Board of Trustees receives tax appropriations from the County. Property taxes are assessed in November and are received beginning in January of each year. Revenue from property taxes is recognized in the year for which the taxes are assessed to the extent such taxes are collected and available for use.

***Income Taxes***

As an essential government function, the Board of Trustees is generally exempt from federal and state income taxes under section 115 of the Internal Revenue Code and a similar provision of state law. However, the Board of Trustees is subject to federal income tax on any unrelated business taxable income.

***Subsequent Events***

Subsequent events have been evaluated through the date of the Independent Accountants' Report, which is the date the financial statements were available to be issued.

**Board of Trustees of Republic County Hospital**  
**A Component Unit of Republic County, Kansas**  
**Notes to Financial Statements**  
**September 30, 2012 and 2011**

**Note 2: Lease and Management Agreement**

The Board of Trustees leases the hospital facilities to GPRC for one dollar. In connection with this lease, Great Plains Health Alliance, Inc., the sole member of GPRC, has a management agreement with GPRC. The lease agreement provides that GPRC will assume and continue the operations of the hospital and maintain all property and equipment in good condition. Either party has the option to terminate the lease at any time for a material breach of terms or provisions of the agreement with 60 days' notice.

**Note 3: Deposits and Investments**

***Deposits***

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Board of Trustees' deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance, bonds and other acceptable collateral having an aggregate value of at least equal to the amount of the deposits. Effective July 21, 2010, the FDIC's insurance limits were permanently increased to \$250,000.

The Board of Trustees maintains its bank deposits (checking accounts, savings accounts and certificates of deposit) with financial institutions which, at times, exceed federally insured limits. For purposes of evaluating credit risk, the stability of financial institutions conducting business with the Board of Trustees is periodically reviewed and the Board of Trustees believes it is not exposed to any significant credit risk on these balances.

At September 30, 2012 and 2011, the Board of Trustees had bank balances as follows:

|  | <b>2012</b>                | <b>2011</b>                |
|--|----------------------------|----------------------------|
| Insured (FDIC)   | \$ 1,050,268               | \$ 1,164,093               |
| Collateralized by securities held on behalf of<br>the pledging financial institution in the Board<br>of Trustees' name | <u>260,951</u>             | <u>251,532</u>             |
| Total  | <u><u>\$ 1,311,219</u></u> | <u><u>\$ 1,415,625</u></u> |
| Carrying value   | <u><u>\$ 1,310,219</u></u> | <u><u>\$ 1,415,625</u></u> |

# Board of Trustees of Republic County Hospital

## A Component Unit of Republic County, Kansas

### Notes to Financial Statements September 30, 2012 and 2011

#### **Summary of Carrying Values**

The carrying values of deposits shown above are included in the balance sheets at September 30, 2012 and 2011, as follows:

|                              | <b>2012</b>         | <b>2011</b>         |
|------------------------------|---------------------|---------------------|
| Cash                         | \$ 80,835           | \$ 192,673          |
| Certificates of deposit      | 816,513             | 810,081             |
| Permanently restricted funds | 412,871             | 412,871             |
|                              | <u>\$ 1,310,219</u> | <u>\$ 1,415,625</u> |

#### **Note 4: Assets Limited As To Use**

Assets limited as to use include (1) funds held by the County for construction/debt service and (2) funds permanently restricted by donors. Permanently restricted funds consist of certificates of deposit and represent assets subject to donor-imposed stipulations that are required to be maintained permanently by the Board of Trustees.

#### **Note 5: Capital Assets**

Capital assets activity for the years ended September 30, 2012 and 2011, was:

|                               | <b>2012</b>                  |                  |                  |                  |                           |
|-------------------------------|------------------------------|------------------|------------------|------------------|---------------------------|
|                               | <b>Beginning<br/>Balance</b> | <b>Additions</b> | <b>Disposals</b> | <b>Transfers</b> | <b>Ending<br/>Balance</b> |
| Land and improvements         | \$ 238,506                   | \$ -             | \$ -             | \$ 73,268        | \$ 311,774                |
| Buildings                     | 1,607,997                    | -                | -                | 411,967          | 2,019,964                 |
| Fixed equipment               | 299,951                      | -                | -                | -                | 299,951                   |
| Moveable equipment            | 26,184                       | -                | -                | -                | 26,184                    |
| Construction in progress      | 284,407                      | 200,828          | -                | (485,235)        | -                         |
|                               | <u>2,457,045</u>             | <u>200,828</u>   | <u>-</u>         | <u>-</u>         | <u>2,657,873</u>          |
| Less accumulated depreciation |                              |                  |                  |                  |                           |
| Land improvements             | 177,769                      | 12,789           | -                | -                | 190,558                   |
| Buildings                     | 923,308                      | 81,323           | -                | -                | 1,004,631                 |
| Fixed equipment               | 289,891                      | 9,553            | -                | -                | 299,444                   |
| Moveable equipment            | 25,787                       | 397              | -                | -                | 26,184                    |
|                               | <u>1,416,755</u>             | <u>104,062</u>   | <u>-</u>         | <u>-</u>         | <u>1,520,817</u>          |
| Capital Assets, Net           | <u>\$ 1,040,290</u>          | <u>\$ 96,766</u> | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ 1,137,056</u>       |

# Board of Trustees of Republic County Hospital

## A Component Unit of Republic County, Kansas

### Notes to Financial Statements September 30, 2012 and 2011

|                               | 2011                 |                   |             |             |                     |
|-------------------------------|----------------------|-------------------|-------------|-------------|---------------------|
|                               | Beginning<br>Balance | Additions         | Disposals   | Transfers   | Ending<br>Balance   |
| Land and improvements         | \$ 216,007           | \$ -              | \$ -        | \$ 22,499   | \$ 238,506          |
| Buildings                     | 1,475,053            | -                 | -           | 132,944     | 1,607,997           |
| Fixed equipment               | 299,951              | -                 | -           | -           | 299,951             |
| Moveable equipment            | 26,184               | -                 | -           | -           | 26,184              |
| Construction in progress      | -                    | 439,850           | -           | (155,443)   | 284,407             |
|                               | <u>2,017,195</u>     | <u>439,850</u>    | <u>-</u>    | <u>-</u>    | <u>2,457,045</u>    |
| Less accumulated depreciation |                      |                   |             |             |                     |
| Land improvements             | 169,951              | 7,818             | -           | -           | 177,769             |
| Buildings                     | 862,476              | 60,832            | -           | -           | 923,308             |
| Fixed equipment               | 278,902              | 10,989            | -           | -           | 289,891             |
| Moveable equipment            | 24,370               | 1,417             | -           | -           | 25,787              |
|                               | <u>1,335,699</u>     | <u>81,056</u>     | <u>-</u>    | <u>-</u>    | <u>1,416,755</u>    |
| Capital Assets, Net           | <u>\$ 681,496</u>    | <u>\$ 358,794</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,040,290</u> |

Construction in progress at September 30, 2011, related to a project to construct additional independent living apartments to be financed primarily with proceeds from the issuance of Hospital Revenue Bonds, Series 2011 (see *Note 6*). A portion of the project was completed and placed in service as of September 30, 2011, and the remainder was completed and placed in service during 2012.

The Board of Trustees capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. Total interest capitalized during 2012 and 2011, respectively, was \$0 and \$5,610.

#### **Note 6: Long-term Debt/Due From Hospital**

The following is a summary of long-term debt transactions for the Board of Trustees for the years ended September 30, 2012 and 2011:

|                           | 2012                 |             |                  |                   |                    |
|---------------------------|----------------------|-------------|------------------|-------------------|--------------------|
|                           | Beginning<br>Balance | Additions   | Deductions       | Ending<br>Balance | Current<br>Portion |
| Long-term debt            |                      |             |                  |                   |                    |
| Hospital Revenue Bonds    |                      |             |                  |                   |                    |
| Series 2011               | \$ 600,000           | \$ -        | \$ 30,000        | \$ 570,000        | \$ 30,000          |
| Capital lease obligations | <u>208,971</u>       | <u>-</u>    | <u>57,888</u>    | <u>151,083</u>    | <u>48,728</u>      |
| Total long-term debt      | <u>\$ 808,971</u>    | <u>\$ -</u> | <u>\$ 87,888</u> | <u>\$ 721,083</u> | <u>\$ 78,728</u>   |

**Board of Trustees of Republic County Hospital**  
**A Component Unit of Republic County, Kansas**

**Notes to Financial Statements**  
**September 30, 2012 and 2011**

|                           | 2011                 |            |            |                   |                    |
|---------------------------|----------------------|------------|------------|-------------------|--------------------|
|                           | Beginning<br>Balance | Additions  | Deductions | Ending<br>Balance | Current<br>Portion |
| Long-term debt            |                      |            |            |                   |                    |
| Hospital Revenue Bonds    |                      |            |            |                   |                    |
| Series 2001               | \$ 195,000           | \$ -       | \$ 195,000 | \$ -              | \$ -               |
| Series 2011               | -                    | 600,000    | -          | 600,000           | 30,000             |
| Capital lease obligations | 142,318              | 140,188    | 73,535     | 208,971           | 57,888             |
| Total long-term debt      | \$ 337,318           | \$ 740,188 | \$ 268,535 | \$ 808,971        | \$ 87,888          |

***Revenue Bonds Payable – Series 2011***

The Series 2011 bonds payable consist of Hospital Revenue Bonds (Bonds) in the original amount of \$600,000 dated July 2011, with interest of 4.25%. The Bonds are payable in annual installments through June 2026. Outstanding bonds are redeemable at the Board of Trustees' option at any time at a redemption price of 100%.

Scheduled principal repayments on the revenue bond obligations as of September 30, 2012, were as follows:

| Year Ending September 30, | Total to be Paid  | Principal         | Interest          |
|---------------------------|-------------------|-------------------|-------------------|
| 2013                      | \$ 54,225         | \$ 30,000         | \$ 24,225         |
| 2014                      | 52,950            | 30,000            | 22,950            |
| 2015                      | 51,675            | 30,000            | 21,675            |
| 2016                      | 55,400            | 35,000            | 20,400            |
| 2017                      | 53,913            | 35,000            | 18,913            |
| 2018 - 2022               | 279,913           | 210,000           | 69,913            |
| 2023 - 2026               | 221,888           | 200,000           | 21,888            |
|                           | <u>\$ 769,964</u> | <u>\$ 570,000</u> | <u>\$ 199,964</u> |

**Board of Trustees of Republic County Hospital**  
**A Component Unit of Republic County, Kansas**  
**Notes to Financial Statements**  
**September 30, 2012 and 2011**

***Capital Lease Obligations***

The Board of Trustees is obligated under leases for equipment that are accounted for as capital leases. The Board of Trustees has subleased the equipment to GPRC. The following is a schedule by year of future minimum lease payments under the capital leases including interest ranging from 3.15% to 5.43% together with the present value of the future minimum lease payments as of September 30, 2012:

|  |                          |
|--|--------------------------|
| Year Ending September 30,                      |                          |
| 2013   | \$ 52,928                |
| 2014   | 52,928                   |
| 2015   | 45,399                   |
| 2016   | <u>7,585</u>             |
| Total minimum lease payments                   | 158,840                  |
| Less amount representing interest              | <u>(7,757)</u>           |
| Present value of future minimum lease payments | <u><u>\$ 151,083</u></u> |
| Current portion                                | \$ 48,728                |
| Noncurrent portion                             | <u>102,355</u>           |
|  | <u><u>\$ 151,083</u></u> |

Due from Hospital in the accompanying balance sheets represents the amounts due to the Board of Trustees in connection with the subleases referred to above.

**Note 7: Significant Estimates and Concentrations**

***Current Economic Conditions***

The current protracted economic decline continues to present organizations with difficult circumstances and challenges, which in some cases have resulted in large declines in the value of assets, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Board of Trustees.

Current economic conditions may make it difficult for the County's taxpayers to pay assessed taxes. Further, the effect of economic conditions on the government may have an adverse effect on cash flows.