

Municipal Secondary Market Disclosure Information Cover Sheet

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and any applicable State Information Depository, whether the filing is voluntary or made pursuant to Securities and Exchange Commission rule 15c2-12 or any analogous state statute.

See www.sec.gov/info/municipal/nrmsir.htm for list of current NRMSIRs and SIDs

IF THIS FILING RELATES TO A SINGLE BOND ISSUE:

Provide name of bond issue exactly as it appears on the cover of the Official Statement
(please include name of state where issuer is located):

\$18,935,000

Michigan State Hospital Finance Authority

Hospital Revenue Bonds, Series 1996

Central Michigan Community Hospital

Provide nine-digit CUSIP* numbers if available, to which the information relates:

59465EGJ6

59465EGK3

59465EGL1

59465EGM9

59465EGN7

IF THIS FILING RELATES TO ALL SECURITIES ISSUED BY THE ISSUER OR ALL SECURITIES OF A SPECIFIC CREDIT OR ISSUED UNDER A SINGLE INDENTURE:

Issuer's Name (please include name of state where Issuer is located): _____

Other Obligated Person's Name (if any): _____
(Exactly as it appears on the Official Statement Cover)

Provide six-digit CUSIP* number(s), if available, of Issuer: _____

*(Contact CUSIP's Municipal Disclosure Assistance Line at 212.438.6518 for assistance with obtaining the proper CUSIP numbers.)

TYPE OF FILING:

Electronic (number of pages attached) 36 Paper (number of pages attached) _____

If information is also available on the Internet, give URL: www.firstriver.com

Municipal Secondary Market Disclosure Information Cover Sheet

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and any applicable State Information Depository, whether the filing is voluntary or made pursuant to Securities and Exchange Commission rule 15c2-12 or any analogous state statute.

See www.sec.gov/info/municipal/nrmsir.htm for list of current NRMSIRs and SIDs

IF THIS FILING RELATES TO A SINGLE BOND ISSUE:

Provide name of bond issue exactly as it appears on the cover of the Official Statement
(please include name of state where issuer is located):

\$7,510,000

Michigan State Hospital Finance Authority

Hospital Revenue Refunding Bonds, Series 1993

Central Michigan Community Hospital

Provide nine-digit CUSIP* numbers if available, to which the information relates:

59465CM61

IF THIS FILING RELATES TO ALL SECURITIES ISSUED BY THE ISSUER OR ALL SECURITIES OF A SPECIFIC CREDIT OR ISSUED UNDER A SINGLE INDENTURE:

Issuer's Name (please include name of state where Issuer is located): _____

Other Obligated Person's Name (if any): _____
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TYPE OF FILING:

Electronic (number of pages attached) 36 Paper (number of pages attached) _____

If information is also available on the Internet, give URL: www.firstriver.com

WHAT TYPE OF INFORMATION ARE YOU PROVIDING? (Check all that apply)

A. Annual Financial Information and Operating Data pursuant to Rule 15c2-12
(Financial information and operating data should not be filed with the MSRB.)

Fiscal Period Covered: FY2005, ended September 30, 2005

B. Audited Financial Statements or CAFR pursuant to Rule 15c2-12

Fiscal Period Covered: FY2005, ended September 30, 2005

C. Notice of a Material Event pursuant to Rule 15c2-12 (Check as appropriate)

- | | |
|--|--|
| 1. <input type="checkbox"/> Principal and interest payment delinquencies | 6. <input type="checkbox"/> Adverse tax opinions or events affecting the tax-exempt status of the security |
| 2. <input type="checkbox"/> Non-payment related defaults | 7. <input type="checkbox"/> Modifications to the rights of security holders |
| 3. <input type="checkbox"/> Unscheduled draws on debt service reserves reflecting financial difficulties | 8. <input type="checkbox"/> Bond calls |
| 4. <input type="checkbox"/> Unscheduled draws on credit enhancements reflecting financial difficulties | 9. <input type="checkbox"/> Defeasances |
| 5. <input type="checkbox"/> Substitution of credit or liquidity providers, or their failure to perform | 10. <input type="checkbox"/> Release, substitution, or sale of property securing repayment of the securities |
| | 11. <input type="checkbox"/> Rating changes |

D. Notice of Failure to Provide Annual Financial Information as Required

E. Quarterly or Monthly Financial Information and Operating Data
(Financial information and operating data should not be filed with the MSRB.)

Period Covered: _____

F. Other Secondary Market Information (Specify): _____

I hereby represent that I am authorized by the issuer or obligor or its agent to distribute this information publicly:

Issuer Contact:

Name _____ Title _____
Employer _____
Address _____ City _____ State _____ Zip Code _____
Telephone _____ Fax _____
Email Address _____ Issuer Web Site Address _____

Dissemination Agent Contact, if any:

Name Shelley J. Aronson Title President
Employer First River Advisory L.L.C.
Address 2640 Override Drive City Ann Arbor State MI Zip Code 48104
Telephone (734) 761-3624 Fax (734) 761-3614
Email Address aronson@firstriver.com Relationship to Issuer Dissemination Agent

Obligor Contact, if any:

Name Gregg M. Beeg Title Vice President of Finance/Operations
Employer Central Michigan Community Hospital
Address 1221 South Drive City Mount Pleasant State MI Zip Code 48858
Telephone (989) 772-6720 Fax (989) 772-1150
Email Address gbeeg@cmch.org Obligor Web Site Address www.cmch.org

Investor Relations Contact, if any:

Name _____ Title _____
Telephone _____ Email Address _____

CENTRAL MICHIGAN COMMUNITY HOSPITAL

1221 South Drive
Mount Pleasant, MI 48858

OFFICER'S CERTIFICATE

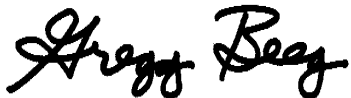
DATED: JANUARY 31, 2006

Pursuant to Section 10.11(d) of the Loan Agreement dated as of February 1, 1993 between the Michigan State Hospital Finance Authority and Central Michigan Community Hospital, the undersigned hereby certifies that the Corporation has complied with the "rate covenant" contained in Section 4.5 of such Loan Agreement with respect to its Fiscal Year ended September 30, 2005.

Included in this Municipal Secondary Market Disclosure filing are the following documents:

1. The Annual Report referred to in the Continuing Disclosure Agreement dated as of June 11, 1996, in accordance with Rule 15c2-12 of the Securities Exchange Commission;
2. Audited financial statements prepared in accordance with GAAP (as defined in the Continuing Disclosure Agreement) by an Accountant, in compliance with Sections 10.11(a), 10.11(b) and 10.11(c) of the Loan Agreement, which financial statements include the letter by the Accountant required by such Section 10.11;
3. The annual insurance report prescribed by Sections 5.1 and 10.11(e) of the Loan Agreement;
4. The biennial report of an Insurance Consultant, as required by Section 5.1 of the Loan Agreement; and
5. The annual report of depositories prescribed by Section 10.11(f) of the Loan Agreement.

The Corporation hereby appoints First River Advisory L.L.C. as the Dissemination Agent pursuant to Section 7 of the Continuing Disclosure Agreement.



Gregg Beeg, Vice President of Finance / Operations

CENTRAL MICHIGAN COMMUNITY HOSPITAL

ANNUAL REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005 (FY2005)

Unless otherwise noted, all data apply to the Fiscal Year Ended September 30, 2005, or are accurate as of September 30, 2005, as appropriate. OS pages refer to the Official Statement relating to the Securities, dated May 31, 1996. The source of all data is the Corporation's records.

Financial data relating to FY2002 reflect the restated comparative financial statements for FY2002 that are contained in the FY2003 audited financial statements. As discussed in Note 1, the restatement was necessitated by the merger of Central Michigan Healthcare System, Inc. into the Corporation as of October 1, 2002.

Debt Service Coverage <i>(\$000s omitted, except coverage ratios)</i> <i>[OS Page 19]</i>					
	Fiscal Years Ended September 30				
		<i>Restated</i>		<i>Restated</i>	
	2005	2004	2003	2002	2001
Excess of Revenue over Expenses ¹	511	2,262	2,623	2,504	590
Plus: Depreciation and Amortization	3,024	2,642	2,583	2,893	3,013
Plus: Interest	1,301	1,332	1,386	1,389	1,430
Net Revenue of the Corporation	4,836	6,236	6,593	6,786	5,034
Maximum Total Principal and Interest Requirements	3,299	2,321	2,213	2,181	2,119
Debt Service Coverage Ratio (x)	1.47	2.69	2.98	3.11	2.38

¹ Excludes extraordinary items

FACILITIES AND SERVICES

<i>Hospital Bed Capacity as of September 30, 2005 [OS Page A-7]</i>		
	<i>Licensed Beds</i>	<i>Staffed Beds</i>
Medical/Surgical	118	66
Obstetrics		17
Psychiatry ¹	19	0
TOTAL	137	83
¹ The Psychiatric unit was closed on September 30, 2000, though the Corporation continues to hold the license for the beds.		

MEDICAL STAFF

<i>Corporation Gross Revenue from Physician Admissions, FY2005 [OS Page A-11]</i>		
<i>Inpatient</i>	<i>Outpatient</i>	<i>Total</i>
\$43,651,306	\$69,618,209	\$113,269,515

MUNICIPAL SECONDARY MARKET DISCLOSURE

Michigan State Hospital Finance Authority / Central Michigan Community Hospital

Fiscal Year Ended September 30, 2005

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<i>Active Staff Specialization</i> <i>[OS Page A-11]</i>					
<i>Internal Medicine</i>		<i>Surgery</i>		<i>Other</i>	
General	5	General Surgery	3	Family Practice	6
Cardiology	1	Colorectal Surgery	1	Obstetrics/Gynecology	5
Endocrinology	1	Gynecologic Surgery	1	Pediatrics	3
Gastroenterology	1	Ophthalmology	2	Emergency Medicine	3
Hematology/Oncology	1	Oral Surgery	1	Anesthesiology	5
Neurology	1	Orthopedic Surgery	3	Diagnostic Imaging	3
Pulmonology	2	Otorhinolaryngology	1	Pathology	2
Rheumatology	1	Podiatric Surgery	1	Radiation Oncology	1
		Urology	2		
		Vascular Surgery	1		
Total Internal Medicine	13	Total Surgery	16	GRAND TOTAL	57

<i>Characteristics of Employed Physicians</i> <i>[OS Page A-12]</i>	
Number, by Specialty	
Family Practice	3
Internal Medicine	5
Pediatrics	0
Surgery	2
Anesthesiology	5
Emergency Medicine	3
Pathology	2
Total Employed Physicians	20
Percent of Gross Revenue Attributable to Above Physicians	39.9%
Note: All physicians are employed by the Corporation	

MUNICIPAL SECONDARY MARKET DISCLOSURE

**Michigan State Hospital Finance Authority / Central Michigan Community Hospital
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<i>Age Distribution of the Active Staff</i> <i>[OS Page A-12]</i>			
<i>Age Range</i>	<i>Number of Physicians</i>	<i>Percent of Active Staff</i>	<i>Percent of Gross Revenue</i>
34 and under	2	3.5%	1.1%
35 - 44	17	29.8%	36.4%
45 - 54	22	38.6%	37.2%
55 - 64	14	24.6%	20.2%
65 and over	2	3.5%	5.1%
TOTAL	57		
Notes: The "Percent of Active Staff" column may not add to 100.0% due to rounding.			

<i>Active Staff Physicians, by Major Specialty</i> <i>[OS Page A-13]</i>		
	<i>Median Age</i>	<i>Percent Board Certified or Eligible</i>
Family Practice	44	83.3%
Internal Medicine	47	100.0%
Surgery	53	93.8%
Obstetrics/Gynecology	39	100.0%
Pediatrics	39	100.0%
Total Active Staff	49	91.2%

HISTORICAL PERFORMANCE MEASURES

<i>Historical Inpatient Utilization</i> <i>(Occupancy Rates calculated on the basis of Staffed Beds)</i> <i>[OS Page A-17]</i>					
	<i>Fiscal Years Ended September 30</i>				
	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>
Days in Period	365	366	365	365	365
Licensed Beds	118	118	118	118	118
Staffed Beds	83	62	58	55	58
Admissions	3,543	3,537	3,292	3,239	3,351
Patient Days ¹	10,930	10,922	10,156	10,207	10,537
Average Daily Census	29.9	29.8	27.8	28.0	28.9
Average Length of Stay	3.1	3.1	3.1	3.2	3.1
Occupancy Rate (%)	36.1	48.1	48.0	50.8	49.8
¹ The FY2004 figure was revised from 10,914; none of the ratios were materially affected					

<i>Historical Inpatient Medical/Surgical Utilization</i> <i>(Occupancy Rates calculated on the basis of Staffed Beds)</i> <i>[OS Page A-18]</i>					
	<i>Fiscal Years Ended September 30</i>				
	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>
Days in Period	365	366	365	365	365
Licensed Beds ¹	118	118	118	118	118
Staffed Beds	66	50	48	45	48
Admissions	3,030	2,967	2,724	2,633	2,721
Patient Days ²	9,791	9,682	8,879	8,844	9,172
Average Daily Census	26.8	26.5	24.3	24.2	25.1
Average Length of Stay	3.2	3.3	3.3	3.4	3.4
Occupancy Rate (%)	40.6	52.9	50.7	53.8	52.4
¹ Includes 17 beds located in a distinct Obstetrics unit which are not separately licensed as such					
² The FY2004 figure was revised from 9,674; none of the ratios were materially affected					

MUNICIPAL SECONDARY MARKET DISCLOSURE
Michigan State Hospital Finance Authority / Central Michigan Community Hospital
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<i>Historical Inpatient Obstetrics Utilization</i> <i>(Occupancy Rates calculated on the basis of Staffed Beds)</i> <i>[OS Page A-18]</i>					
	<i>Fiscal Years Ended September 30</i>				
	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>
Days in Period	365	366	365	365	365
Licensed Beds	Included in Medical/Surgical Licensed Beds				
Staffed Beds	17	12	10	10	10
Admissions	513	570	568	606	630
Patient Days	1,139	1,240	1,277	1,363	1,365
Average Daily Census	3.1	3.4	3.5	3.7	3.7
Average Length of Stay	2.2	2.2	2.2	2.2	2.2
Occupancy Rate (%)	18.4	28.2	35.0	37.3	37.4

<i>Historical Outpatient Utilization, in Visits</i> <i>[OS Page A-19]</i>					
	<i>Fiscal Years Ended September 30</i>				
	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>
Emergency Department	21,646	19,841	18,695	18,993	18,588
ReadyCare	26,312	24,920	25,322	24,632	23,254
Family Care Center ¹	0	0	0	0	0
COMP ²	11,079	11,592	11,097	10,859	0
Employed Physicians ³	39,912	33,432	31,269	72,691	0
Ambulance Runs ⁴	0	0	0	0	0
¹ The Corporation discontinued operation of the Family Care Center during FY1998 ² COMP Services were transferred to an affiliate in FY1998; the Corporation resumed operation of this service in FY2002. The figure for FY2002 corrects erroneous data published in the FY2002 Disclosure Report ³ The figures for FY2003 and FY2002 corrects erroneous data published in the FY2003 and FY2002 Disclosure Reports ⁴ The operation of the ambulance service was assumed by an organization unrelated to the Corporation prior to FY2000					

MUNICIPAL SECONDARY MARKET DISCLOSURE

Michigan State Hospital Finance Authority / Central Michigan Community Hospital

Fiscal Year Ended September 30, 2005

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<i>Historical Ancillary Services Volumes, <u>Inpatients</u></i>						
<i>[OS Page A-20]</i>						
<i>Service</i>	<i>Units</i>	<i>Fiscal Years Ended September 30</i>				
		<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>
Endoscopy	Visits	167	120	93	93	73
Diagnostic Radiology	Procedures	5,265	4,849	4,501	4,542	3,984
Ultrasound	Procedures	1,497	1,228	870	788	725
CT Scanning	Procedures	1,491	1,241	999	880	738
Nuclear Medicine	Procedures	309	520	287	288	352
Electrocardiography	Visits	1,898	1,015	919	1,192	1,633
Respiratory Therapy	Procedures	17,564	14,482	15,259	13,952	13,435
Physical Therapy	Procedures	4,754	4,278	3,614	4,423	8,273
Laboratory	Tests	57,585	43,912	40,522	36,688	42,124
Pharmacy ¹ Weighted Line Items		1,447	1,468	1,425	1,275	1,277

¹ Both Inpatient and Outpatient, which cannot be distinguished. FY2000 – FY2003 figures replace estimates that had been reported in prior FYs' Disclosure Reports

<i>Historical Ancillary Services Volumes, <u>Outpatients</u></i>						
<i>[OS Page A-21]</i>						
<i>Service</i>	<i>Units</i>	<i>Fiscal Years Ended September 30</i>				
		<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>
Endoscopy	Visits	2,080	2,019	1,835	1,066	1,083
Diagnostic Radiology	Procedures	27,974	26,855	25,199	29,039	24,035
Ultrasound	Procedures	8,017	8,018	7,648	7,316	6,793
CT Scanning	Procedures	5,963	5,179	4,555	3,925	4,067
Nuclear Medicine	Procedures	4,282	4,552	3,823	2,794	4,110
Electrocardiography	Visits	5,288	5,835	5,739	5,464	4,853
Respiratory Therapy	Procedures	3,443	7,211	8,223	7,187	4,368
Physical Therapy	Procedures	38,721	41,375	38,904	42,272	54,382
Laboratory	Tests	333,591	334,296	324,413	270,686	276,283

MUNICIPAL SECONDARY MARKET DISCLOSURE**Michigan State Hospital Finance Authority / Central Michigan Community Hospital****Fiscal Year Ended September 30, 2005****Page 8**

<i>Historical Surgical Utilization</i> <i>[OS Page A-21]</i>					
	<i>Fiscal Years Ended September 30</i>				
	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>
Inpatient	1,046	1,127	1,139	1,031	1,098
Outpatient	3,718	4,384	3,983	3,381	3,424
TOTAL	4,764	5,511	5,122	4,412	4,522
Percent Outpatient Surgery	78.0	79.6	77.8	76.6	75.7

<i>Historical Home Care Volumes</i> <i>[OS Page A-22]</i>					
	<i>Fiscal Years Ended September 30</i>				
	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>
Skilled Nursing	5,676	5,795	4,586	4,594	4,183
Physical Therapy	2,865	2,849	2,421	2,167	2,149
Occupational Therapy	173	128	119	107	106
Speech Therapy	118	104	136	58	78
Medical Social Worker	26	29	59	29	58
Home Health Aide	1,352	1,076	856	912	593
TOTAL	10,210	9,981	8,177	7,867	7,167

FINANCIAL PERFORMANCE

<i>Balance Sheet Measures</i>						
<i>(\$000s Omitted Except for Days' Cash on Hand Figures)</i>						
<i>[OS Page A-25]</i>						
		<i>Fiscal Years Ended September 30</i>				
					<i>Restated</i>	
		<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>
Financial Assets	Cash and Cash Equivalents	7,454	15,143	15,924	13,093	8,820
	Debt Service Reserve	2,209	2,174	2,121	2,275	2,242
	Depreciation Funds ¹		1,990	1,564	1,134	811
	Other Financial Assets ²	6,722	2,385	1,711	1,255	933
	Total Financial Assets ¹		19,307	19,609	16,502	11,873
	Total Financial Assets ²	16,385	19,702	19,756	16,623	11,995
	Days' Cash on Hand ¹		131	141	133	118
	Days' Cash on Hand ²	101	134	142	134	119
¹ As published in the FY2004 Disclosure Report, which includes a correction of the FY2004 Days' Cash on Hand calculation and certain corrections from prior FYs' Disclosure Reports ² As revised to include other financial assets that were Board-designated, but not otherwise restricted						

MUNICIPAL SECONDARY MARKET DISCLOSURE

Michigan State Hospital Finance Authority / Central Michigan Community Hospital

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<i>Summary of Revenues and Expenses of the Corporation</i>					
<i>(\$000s omitted)</i>					
<i>[OS Page A-27]</i>					
	<i>Fiscal Years Ended September 30</i>				
		<i>Restated</i>		<i>Restated</i>	
	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>
Net Patient Service Revenue	59,731	55,955	53,119	48,650	38,793
Other Operating Revenue	<u>3,134</u>	<u>2,984</u>	<u>2,724</u>	<u>2,850</u>	<u>2,219</u>
Total Operating Revenue	62,865	58,939	55,844	51,500	41,012
Depreciation Expense	3,024	2,642	2,583	2,893	3,013
Interest Expense	1,301	1,332	1,386	1,389	1,430
Other Operating Expenses	<u>57,864</u>	<u>52,425</u>	<u>49,427</u>	<u>43,804</u>	<u>35,386</u>
Total Operating Expenses	62,189	56,399	53,397	48,086	39,829
Excess (Deficiency) of Operating Revenue over Expenses	676	2,540	2,447	3,414	1,183
Non-Operating Gains (Losses)	<u>(164)</u>	<u>(278)</u>	<u>176</u>	<u>(910)</u>	<u>(593)</u>
Excess of Revenue over Expenses	<u>511</u>	<u>2,262</u>	<u>2,623</u>	<u>2,504</u>	<u>590</u>

<i>Percentages of Gross Patient Revenue by Service</i>					
<i>[OS Page A-28]</i>					
	<i>Fiscal Years Ended September 30</i>				
				<i>Restated</i>	
	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>
Inpatient	31.2%	31.8%	30.8%	31.6%	34.2%
Outpatient	68.8%	68.2%	69.2%	68.4%	65.8%

MUNICIPAL SECONDARY MARKET DISCLOSURE

Michigan State Hospital Finance Authority / Central Michigan Community Hospital

Fiscal Year Ended September 30, 2005

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<i>Corporation Payor Mix, by Gross Revenue</i>					
<i>[OS Page A-28]</i>					
<i>Fiscal Years Ended September 30</i>					
				<i>Restated</i>	
<i>Payor</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>
Medicare	36.1%	36.3%	35.9%	35.1%	36.9%
Blue Cross ¹	37.9%	39.7%	39.8%	38.0%	37.6%
Medicaid	11.4%	11.1%	10.0%	10.9%	9.2%
Commercial	11.3%	10.1%	11.5%	12.6%	12.9%
Self Pay	3.3%	2.8%	2.8%	3.4%	3.4%
Note: Columns may not add to 100.0 due to rounding					
¹ Includes Blue Cross Trust					

CENTRAL MICHIGAN COMMUNITY HOSPITAL

1221 South Drive
Mount Pleasant, MI 48858

INSURANCE REPORT

This Insurance Report is delivered pursuant to Sections 5.1 and 10.11(e) of the Loan Agreement dated as of February 1, 1993 between the Michigan State Hospital Finance Authority and Central Michigan Community Hospital (the Loan Agreement). The following is a list of insurance policies, together with certain characteristics thereof:

PROFESSIONAL AND GENERAL LIABILITY

Carrier: MHA Insurance Company
Coverage Limits: \$1,000,000 (Primary)
\$3,000,000 (Aggregate Primary)
\$5,000,000 (Umbrella)
Deductibles: \$50,000 all-expense deductible / \$150,000 aggregate
\$25,000 (Retention Umbrella)
Policy Numbers: 01-10338 (Primary) / 01-55338 (Umbrella)
Policy Term: 7/18/05 - 7/18/06

DIRECTORS AND OFFICERS

Carrier: Travelers Casualty and Surety Company of America
Coverage Limit: \$5,000,000
Deductibles: Section 1: (A) Personal \$0
Section 1: (B1) Organization - pay on behalf of person - \$50,000
Section 1: (B2) Organization - pay on behalf of organization - \$50,000
Policy Number: 024 LB 103073411B
Policy Term: 3/29/05 - 3/29/06

AUTOMOTIVE LIABILITY

Carrier: Auto Owners Insurance
Coverage Limits: \$1,000,000
Deductibles: \$250 (Comprehensive) / \$250 (Collision)
Policy Number: 96-998-968-00
Policy Term: 6/1/05 - 6/1/06

FIDUCIARY BOND

Carrier: Hanover Insurance Company
Coverage Limits: \$200,000
Deductible: \$1,000
Policy Number: LHH-1670783
Policy Term: 8/30/03 - 8/30/06

BLANKET PROPERTY (including Boiler and Machinery)

Carrier: The Hartford
Coverage Limits: Building and Contents: \$98,413,000; Blanket Limit: \$104,044,533
Deductible: \$10,000
Policy Number: 81UUMZU2746
Policy Term: 4/1/05 - 4/1/06

NOTARY BOND POLICY

Carrier: Western Surety Company
Coverage Limit: \$10,000
Deductible: None
Policy Number: 14662670N00
Policy Term: 2/15/05 - 2/15/11

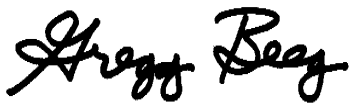
CRIME/BOND POLICY

Carrier: The Hartford
Coverage Limits: Employee Theft: \$500,000; Depositors Forgery: \$1,000,000; Theft: \$5,000;
Computer Fraud: \$5,000,000
Deductibles: Employee Theft: \$5,000; Depositors Forgery: \$1,000; Theft: \$1,000;
Computer Fraud: \$5,000
Policy Number: 81BDDAS0233
Policy Term: 4/1/05 - 4/1/06

WORKERS COMPENSATION

Carrier: Self-Insured, per State of Michigan statutes and regulations
Coverage Limit: Statutory
Retention: \$400,000
Carrier ID#: 80001037
Term: 1/1/06 - 1/1/07

The biennial report of an Insurance Consultant, as required by Section 5.1 of the Loan Agreement, is included in this Disclosure Report.



Gregg Beeg, Vice President of Finance/Operations

GA *General Agency Company*

525 EAST BROADWAY, MT. PLEASANT, MICHIGAN 48858
(989) 773-8981 • FAX (989) 772-1855

January 31, 2006

Central Michigan Community Hospital
1221 South Drive
Mt Pleasant, MI 48858

Dear Joyce Schaffer:

Re: Central Michigan Community Hospital
Property Insurance Program

We have been asked to provide a brief summary of the insurance coverages afforded under the property insurance policy for Central Michigan Community Hospital.

The following is a summary and should not be interpreted as a full and comprehensive insurance review. For specific information about the property policy, refer to the contract itself for all terms and conditions.

Central Michigan Community Hospital (CMCH) has a property insurance policy written by the Hartford Insurance Group. Hartford's AM Best Rating is A+ (excellent). The policy number is 81 UUM ZU2746. The policy term is 4-1-05 to 4-1-06.

The Named Insured is as follows:

Central Michigan Community Hospital, Meridian Ventures,
Central Michigan Community Hospital dba Central Clinics, Central Michigan
Community Hospital dba Central Michigan Home Care

The property limits are \$104,044,543. These are the building and contents limits that are blanketed amongst all locations. The policy is written on an agreed value basis. A summary of insurance showing the locations and the rating amount of coverage is provided in exhibit I. Business Income and Extra Expense is provided for \$43,852,579. A \$10,000 deductible applies.



INSURANCE SINCE 1915

GA General Agency Company

525 EAST BROADWAY, MT. PLEASANT, MICHIGAN 48859
(989) 773-8981 • FAX (989) 772-1866

The following are some highlights of the Hartford policy enhancements:

• Accounts Receivable	\$250,000
• Brands and Labels	\$50,000
• Building Glass Repairs	Included in Building Limit
• Business Travel and Sales Rep Samples	\$50,000
• Claim Expenses	\$50,000
• Contract Penalties	\$50,000
• Debris Removal (Additional Amount)	\$50,000
• Electronic Vandalism	Included in Applicable Business Personal Property Limit
• Employee Personal Effects	\$50,000
• Exhibitions	\$50,000
• Fine Arts	\$50,000
• Fire Department Service Charge	\$50,000
• Fire Device Recharge	\$50,000
• Fungus, Wet Rot, Dry Rot, Bacteria And Virus -Limited Coverage (at each Premises in any one policy year)	\$50,000
• Newly Acquired Property Buildings	\$1,000,000
• Business Personal Property	\$500,000
• Non Owned Trailers	\$50,000
• Ordinance or Law Coverage (Demolition & Increased Cost of Construction)	Lesser of 25% of Building Value or \$500,000
• Ordinance or Law Coverage (Value of the Undamaged Building)	Included in Building Limit
• Pollutant and Contaminants Cleanup (At Each Scheduled Premises in Any One Policy Year)	\$50,000
• Underground Water Seepage	\$25,000
• Unnamed Premises:	
At All Unnamed Premises in Any One Occurrence	\$100,000
Buildings	\$50,000
Business Personal Property (Including Stock)	
At Any One Installation	\$25,000



INSURANCE SINCE 1916

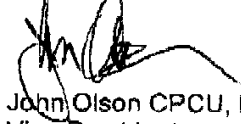
GA General Agency Company

525 EAST BROADWAY, MT. PLEASANT, MICHIGAN 48058
(800) 773-6981 • FAX (800) 772-1663

- Utility Services Including Overhead Transmission Lines \$10,000
- Combined Additional Protection Lessor or 25% of the Total Scheduled Premises Building and Business Personal Property Limits of Insurance or \$250,000

Thank you for the opportunity to review these insurance policies. If you have any questions or need any additional information, please feel free to let me know.

Sincerely,



John Olson CPCU, LIC
Vice President
General Agency Company



INSURANCE SINCE 1915

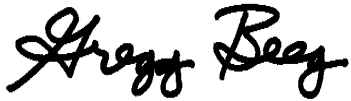
CENTRAL MICHIGAN COMMUNITY HOSPITAL

1221 South Drive
Mount Pleasant, MI 48858

REPORT OF DEPOSITORIES

This Report of Depositories is delivered pursuant to Section 10.11(f) of the Loan Agreement dated as of February 1, 1993 between the Michigan State Hospital Finance Authority and Central Michigan Community Hospital (the "Corporation"). The following is a list of financial institutions in which funds and accounts of the Corporation are maintained:

Isabella Bank & Trust
National City Bank
FirstBank
U.S. Bank



Gregg Beeg, Vice President of Finance/Operations

Central Michigan Community Hospital and Subsidiary

**Consolidated Financial Report
September 30, 2005**

Central Michigan Community Hospital and Subsidiary

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Consolidated Financial Statements	
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Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6-16



Plante & Moran, PLLC
Bridgewater Place
Suite 60C
333 Bridge St. N.W.
Grand Rapids, MI 49504
Tel: 616.774.8221
Fax: 616.774.0702
plantemoran.com

Independent Auditor's Report

To the Board of Directors
Central Michigan Community Hospital
and Subsidiary

We have audited the accompanying consolidated balance sheet of Central Michigan Community Hospital and Subsidiary as of September 30, 2005 and 2004 and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Central Michigan Community Hospital and Subsidiary at September 30, 2005 and 2004 and the consolidated results of their operations, changes in net assets, and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

November 11, 2005

A member of



A worldwide association of independent accounting firms

Central Michigan Community Hospital and Subsidiary

Consolidated Balance Sheet

	September 30, 2005	September 30, 2004
Assets		
Current Assets		
Cash and cash equivalents	\$ 7,454,264	\$ 15,143,600
Accounts receivable (Note 2)	5,856,096	4,001,094
Other accounts receivable	1,179,253	539,806
Pledges receivable - Current (Note 6)	1,006,156	1,468,990
Assets held in trust to pay current liabilities (Note 5)	2,572,845	1,823,019
Inventory	1,485,859	1,298,485
Prepaid expenses and other	1,087,676	1,026,937
Total current assets	20,642,149	25,301,931
Property and Equipment (Note 8)	29,517,922	26,861,241
Other Assets (Note 5)	16,122,822	8,935,048
Total assets	\$ 66,282,893	\$ 61,098,220
Liabilities and Net Assets		
Current Liabilities		
Current portion of long-term debt	\$ 1,965,877	\$ 1,064,264
Accounts payable	2,316,814	2,199,229
Estimated third-party payor settlements (Note 4)	1,424,691	1,661,839
Accrued liabilities (Note 9)	7,048,620	6,531,179
Total current liabilities	12,756,002	11,456,511
Long-term Debt	21,627,759	19,380,744
Total liabilities	34,383,761	30,837,255
Net Assets		
Unrestricted	27,730,735	24,442,199
Temporarily restricted	4,117,906	5,768,275
Permanently restricted	50,491	50,491
Total net assets	31,899,132	30,260,965
Total liabilities and net assets	\$ 66,282,893	\$ 61,098,220

Central Michigan Community Hospital and Subsidiary

Consolidated Statement of Operations

	Year Ended	
	September 30, 2005	September 30, 2004
Unrestricted Revenue, Gains, and Other Support		
Net patient service revenue (Note 13)	\$ 59,731,260	\$ 55,954,633
Other operating revenue	3,133,563	2,983,743
Total unrestricted revenue, gains, and other support	62,864,823	58,938,376
Expenses		
Salaries and wages	28,823,731	25,899,402
Employee benefits and payroll taxes	4,823,344	4,131,438
Operating supplies and expenses	10,992,374	10,702,687
Purchased services and professional fees	5,155,537	4,823,839
Maintenance, repairs, and utilities	3,613,532	3,139,022
Rent	593,470	537,951
Depreciation and amortization	3,024,005	2,641,632
Provision for bad debts	1,875,881	1,918,895
Interest expense	1,300,770	1,332,465
Other	1,986,528	1,271,300
Total expenses (Note 15)	62,189,172	56,398,631
Operating Income	675,651	2,539,745
Other Loss (Note 12)	(164,480)	(277,831)
Excess of Revenue Over Expenses	511,171	2,261,914
Change in Unrealized Gains and Losses on Investments (Note 5)	101,967	(25,527)
Net Assets Released from Restriction	2,675,398	624,585
Increase in Unrestricted Net Assets	\$ 3,288,536	\$ 2,860,972

Central Michigan Community Hospital and Subsidiary

Consolidated Statement of Changes in Net Assets

	Year Ended September 30	
	2005	2004
Unrestricted Net Assets		
Excess of revenue over expenses	\$ 511,171	\$ 2,261,914
Change in unrealized gains and losses on investments	101,967	(25,527)
Net assets released from restriction	2,675,398	624,585
Increase in Unrestricted Net Assets	3,288,536	2,860,972
Temporarily Restricted Net Assets		
Restricted contributions	1,012,446	5,852,779
Restricted investment income	12,583	4,795
Net assets released from restriction	(2,675,398)	(624,585)
(Decrease) Increase in Temporarily Restricted Net Assets	(1,650,369)	5,232,989
Permanently Restricted Net Assets - Restricted contributions	-	6
Increase in Net Assets	1,638,167	8,093,967
Net Assets - Beginning of year	30,260,965	22,166,998
Net Assets - End of year	\$ 31,899,132	\$ 30,260,965

Central Michigan Community Hospital and Subsidiary

Consolidated Statement of Cash Flows

	Year Ended	
	September 30, 2005	September 30, 2004
Cash Flows from Operating Activities		
Increase in net assets	\$ 1,638,167	\$ 8,093,967
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation and amortization	3,024,005	2,641,632
Net change in unrealized gains and losses on investments	(101,967)	25,527
Loss on disposal of equipment	40,435	70,391
Loss in joint venture	317,444	-
Restricted contributions and investment earnings	(1,025,029)	(5,857,580)
Provision for bad debts	1,875,881	1,918,895
Changes in assets and liabilities which provided (used) cash:		
Accounts receivable	(3,730,883)	(828,075)
Other accounts receivable	(639,447)	(104,938)
Inventories	(187,374)	(151,863)
Prepaid expenses and other	(60,739)	(261,030)
Other assets	708,134	(10,076)
Accounts payable	117,585	(170,379)
Accrued liabilities	517,441	512,512
Cost report settlements payable	(237,148)	(1,574,413)
Net cash provided by operating activities	2,256,505	4,304,570
Cash Flows from Investing Activities		
Purchase of property and equipment	(5,741,390)	(4,526,307)
Proceeds from sale of property and equipment	20,269	1,915
Purchase of assets limited as to use	(7,930,045)	(1,631,360)
Proceeds from assets limited as to use	4,665,710	-
Investment in joint venture	(5,108,908)	-
Net cash used in investing activities	(14,094,364)	(6,155,752)
Cash Flows from Financing Activities		
Proceeds from issuance of debt obligations	4,374,093	515,450
Principal payment on long-term debt	(1,225,465)	(936,342)
Restricted contributions	1,025,029	1,557,041
Net increase in funds held by trustee under bond indenture	(25,134)	(65,745)
Net cash provided by financing activities	4,148,523	1,070,404
Net Decrease in Cash and Cash Equivalents	(7,689,336)	(780,778)
Cash and Cash Equivalents - Beginning of year	15,143,600	15,924,378
Cash and Cash Equivalents - End of year	\$ 7,454,264	\$ 15,143,600

Central Michigan Community Hospital and Subsidiary

Notes to Consolidated Financial Statements September 30, 2005 and 2004

Note I - Nature of Business and Significant Accounting Policies

Reporting Entity - Central Michigan Community Hospital (the "Hospital"), a Michigan nonprofit corporation, operates a short-term, acute-care facility offering inpatient and outpatient health care and home health services primarily to citizens of the Isabella County, Michigan area. Meridian Ventures, Inc. (MV), a taxable corporation, is a wholly owned subsidiary of the Hospital. MV has had minimal operations to date.

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of Central Michigan Community Hospital and its wholly owned subsidiary, Meridian Ventures, Inc. Intercompany transactions and balances have been eliminated in consolidation.

Temporarily and Permanently Restricted Net Assets - Temporarily and permanently restricted net assets are those whose use by the Hospital has been limited by donors to a specific time period or purpose.

Temporarily restricted net assets and the income earned on the assets are restricted by donors for the purchase of equipment and facility renovations. Interest earned on permanently restricted net assets is restricted by donors for the purchase of radiology equipment.

Cash Equivalents - The Hospital considers all liquid investments purchased with an original maturity of three months or less to be cash equivalents, except for amounts included in restricted assets and other assets (see Note 5).

Investments - Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheet. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in excess of revenue over expenses unless the income or loss is restricted by donor or law. Changes in unrealized gains and losses on investments are excluded from excess of revenue over expenses.

Accounts Receivable - Accounts receivable for patients, insurance companies, and governmental agencies are based on gross charges. An allowance for uncollectible accounts is established on an aggregate basis by using historical loss rate factors applied to unpaid accounts based on aging. Loss rate factors are based on historical loss experience and adjusted for economic conditions and other trends affecting the Hospital's ability to collect outstanding amounts. Uncollectible amounts are written off against the allowance for uncollectible accounts in the period they are deemed to be uncollectible. The allowance for contractual adjustments and interim payment advances is based on expected payment rates from payors based on current reimbursement methodologies. This amount also includes amounts received as interim payments against unpaid claims by certain payors.

Central Michigan Community Hospital and Subsidiary

Notes to Consolidated Financial Statements September 30, 2005 and 2004

Note I - Nature of Business and Significant Accounting Policies (Continued)

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

Assets Limited as to Use - Assets limited as to use primarily include assets held by trustees under indenture agreements and designated assets set aside by the board of directors for future capital improvements over which the board retains control and may at its discretion subsequently use for other purposes. Amounts required to meet current liabilities of the Hospital have been reclassified in the consolidated balance sheet as current assets (see Note 5).

Investments - Equity Method - Investments in joint venture are carried at cost, adjusted for the Hospital's proportionate share of their undistributed earnings or losses.

Property and Equipment - Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful lives of each class of depreciable asset and is computed using the straight-line method. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Excess of Revenue Over Expenses - The consolidated statement of operations includes excess of revenue over expenses. Changes in unrestricted net assets that are excluded from excess of revenue over expenses, consistent with industry practice, include changes in unrealized gains and losses on investments, permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions, which by donor restriction were to be used for the purposes of acquiring such assets).

Net Patient Service Revenue - The Hospital and its subsidiary have agreements with third-party payors that provide for payments at amounts different from established rates. Payment arrangements include prospectively determined rates per discharge and episode of care, fee-for-service arrangements, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes that it is in compliance with all applicable laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Central Michigan Community Hospital and Subsidiary

Notes to Consolidated Financial Statements September 30, 2005 and 2004

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Bond Discount and Issue Costs - Bond discount and issue costs are amortized on the interest method over the life of the related debt issue.

Retirement Plan - The Hospital has defined contribution plans covering substantially all employees. Pension expense for the defined contribution plans is based on the amount of contribution approved by the board of directors. Required contributions to the plans for the years ended September 30, 2005 and 2004 were approximately \$908,000 and \$552,000, respectively.

Professional Liability Insurance - The provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Charity Care - The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as operating revenue (see Note 3).

Donor-restricted Gifts - Contributions are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statement of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

Tax Status - Central Michigan Community Hospital is a nonprofit 501(c)(3), tax-exempt organization; accordingly, no tax provision is reflected in the consolidated financial statements. Meridian Ventures, Inc. is subject to income tax but had minimal operations in 2005 and 2004.

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 reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Change in Presentation - In 2005, the Company changed its method of presenting its statement of cash flows from the direct method to the indirect method. The 2004 statement of cash flows has been restated to reflect this change in presentation. Both methods are acceptable under generally accepted accounting principles.

Central Michigan Community Hospital and Subsidiary

Notes to Consolidated Financial Statements September 30, 2005 and 2004

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Reclassifications - Certain amounts in the Hospital's 2004 financial statements have been reclassified to conform with the presentation in the Hospital's 2005 financial statements.

Note 2 - Accounts Receivable

The details of accounts receivable are set forth below:

	<u>2005</u>	<u>2004</u>
Patient accounts receivable	\$ 20,374,486	\$ 17,926,933
Less:		
Allowance for uncollectible accounts	3,108,820	2,757,576
Allowance for contractual adjustments	<u>11,409,570</u>	<u>11,168,263</u>
Total accounts receivable	<u>\$ 5,856,096</u>	<u>\$ 4,001,094</u>

The Hospital grants credit without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. The composition of receivables from patients and third-party payors was as follows:

	<u>2005 (%)</u>	<u>2004 (%)</u>
Medicare	17	18
Medicaid	15	12
Blue Cross/Blue Shield of Michigan	22	19
Commercial insurance and HMOs	16	18
Self-pay	<u>30</u>	<u>33</u>
Total	<u>100</u>	<u>100</u>

Note 3 - Charity Care

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies rendered under its charity care policy. The following information measures the level of charity care provided:

	<u>2005</u>	<u>2004</u>
Charges forgone, based on established rates	<u>\$ 403,285</u>	<u>\$ 262,233</u>

Central Michigan Community Hospital and Subsidiary

Notes to Consolidated Financial Statements September 30, 2005 and 2004

Note 3 - Charity Care (Continued)

In addition, under arrangements with various governmental insurance programs, the Hospital provides significant care to the local indigent population for which reimbursement for services rendered is generally less than the cost of providing such services. As part of its obligation to the local communities, the Hospital also provides numerous other services that benefit the communities, which are generally performed at no charge.

Note 4 - Cost Report Settlements

A significant portion of the Hospital's net patient service revenue is received from Medicare, Medicaid, and Blue Cross/Blue Shield of Michigan programs. The Hospital has agreements with these payors that provide for reimbursement to the Hospital at amounts different from its established rates. A summary of the basis of reimbursement is as follows:

- **Medicare** - Inpatient, acute-care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient and home care services related to Medicare beneficiaries are paid based on a prospectively determined amount per episode.
- **Medicaid** - Inpatient, acute-care services rendered to Medicaid program beneficiaries are also paid at prospectively determined rates per discharge. Capital costs relating to Medicaid patients are paid on a cost-reimbursement method. The Hospital is reimbursed for outpatient and home care services on an established fee-for-service methodology.
- **Blue Cross/Blue Shield of Michigan** - Inpatient, acute-care services are reimbursed at prospectively determined rates per discharge. These rates are based on a Medicare patient classification system. Outpatient services are reimbursed based primarily on a fee-for-service methodology.

Cost report settlements result from the adjustment of interim payments to final reimbursement under these programs, which is subject to audit by fiscal intermediaries. Cost report settlements increased net patient service revenue by approximately \$950,000 and \$2,700,000 for the years ended September 30, 2005 and 2004, respectively, reflecting amounts received in excess of recorded amounts.

Central Michigan Community Hospital and Subsidiary

Notes to Consolidated Financial Statements September 30, 2005 and 2004

Note 5 - Other Assets

The detail of other assets is summarized in the following schedule:

	<u>2005</u>	<u>2004</u>
Assets limited as to use or temporarily restricted:		
Investments held by trustee under bond indenture	\$ 3,725,577	\$ 3,700,443
By donors for specific purpose	547,901	1,518,227
By board of directors for future capital expenditures	<u>6,721,997</u>	<u>2,385,369</u>
Subtotal	10,995,475	7,604,039
Less amount for payment of current liabilities	<u>(2,572,845)</u>	<u>(1,823,019)</u>
Total assets limited as to use and permanently or temporarily restricted	8,422,630	5,781,020
Pledges receivable - Long-term portion (Note 6)	2,614,340	2,831,549
Bond issue costs and other - Net	294,388	322,479
Investment in joint venture (Note 7)	<u>4,791,464</u>	<u>-</u>
Total other assets	<u>\$ 16,122,822</u>	<u>\$ 8,935,048</u>

The amounts for payment of current liabilities represents amounts held by the trustee for the principal portion and accrued interest to be paid during the subsequent year.

Investments, including restricted assets, consist of the following:

	<u>2005</u>	<u>2004</u>
Money market investments	\$ 4,143,385	\$ 6,022,754
U.S. government obligations	4,289,391	1,581,285
Mutual funds	1,523,687	-
Corporate bonds	298,782	-
Common stock	<u>740,230</u>	<u>-</u>
Total	<u>\$ 10,995,475</u>	<u>\$ 7,604,039</u>

Central Michigan Community Hospital and Subsidiary

Notes to Consolidated Financial Statements September 30, 2005 and 2004

Note 5 - Other Assets (Continued)

Investment income on assets limited as to use, cash equivalents, and other investments are comprised of the following for the years ended September 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Investment income in other revenue	\$ 62,961	\$ 50,816
Investment income in other income	441,292	286,637
Restricted investment income	12,583	4,795
Change in unrealized gains and losses on investments	<u>101,967</u>	<u>(25,527)</u>
Total	<u>\$ 618,803</u>	<u>\$ 316,721</u>

Note 6 - Pledges Receivable

During 2004, the Hospital began a capital campaign for construction of a new cancer center (see Note 7) and renovation of the obstetrics department. As of September 30, 2005, the Hospital had raised approximately \$7,050,000, of which approximately \$2,600,000 had been collected. An allowance has been recorded against pledges receivable for the portion that is estimated to be uncollectible. The details of pledges receivable at September 30, 2005 are set forth below:

Donations due within one year	\$ 1,006,156
Donations due within two to nine years	<u>3,251,335</u>
Gross pledges receivable	4,257,491
Less allowance for uncollectible accounts	<u>636,995</u>
Total pledges receivable	<u>\$ 3,620,496</u>

Note 7 - Investment in Joint Venture

During 2005, the Hospital entered into a joint venture for the operation of a radiation oncology program. The Hospital's investment in the joint venture consisted of a newly constructed building and equipment purchased by the Hospital with a cost of approximately \$5.1 million. The joint venture, Central Michigan Community Hospital Radiation Oncology, began operations in September 2005.

Central Michigan Community Hospital and Subsidiary

Notes to Consolidated Financial Statements September 30, 2005 and 2004

Note 8 - Property and Equipment

Cost of property, plant, equipment, and depreciable lives are summarized as follows:

	2005	2004	Depreciable Life - Years
Land and land improvements	\$ 2,873,213	\$ 2,853,884	20
Buildings and building improvements	33,022,658	31,051,195	10-40
Equipment and fixtures	22,657,833	19,684,643	3-10
Construction in progress	2,688,967	2,770,994	
Total cost	61,242,671	56,360,716	
Less accumulated depreciation	(31,724,749)	(29,499,475)	
Net carrying amount	<u>\$ 29,517,922</u>	<u>\$ 26,861,241</u>	

Construction in progress consists primarily of costs incurred for construction costs for various renovations throughout the Hospital. Total costs to complete the projects are approximately \$500,000.

Note 9 - Accrued Liabilities

The details of accrued liabilities at September 30, 2005 and 2004 are as follows:

	2005	2004
Payroll and related items	\$ 1,739,110	\$ 1,389,573
Compensated absences	3,398,862	3,141,846
Accrued interest	853,680	816,705
Professional liability claims	450,000	550,000
Accrued interest payable	606,968	633,055
Total accrued liabilities	<u>\$ 7,048,620</u>	<u>\$ 6,531,179</u>

Central Michigan Community Hospital and Subsidiary

Notes to Consolidated Financial Statements September 30, 2005 and 2004

Note 10 - Long-term Debt

A summary of long-term debt and capital lease obligations at September 30, 2005 and 2004 follows:

	2005	2004
Bonds payable, Series 1996	\$ 17,015,000	\$ 17,340,000
Bonds payable, Series 1993A	2,535,000	3,085,000
Capital leases	4,665,984	681,294
Total	24,215,984	21,106,294
Less unamortized discount	622,348	661,286
Less current portion	1,965,877	1,064,264
Long-term portion	<u>\$ 21,627,759</u>	<u>\$ 19,380,744</u>

Bonds payable, Series 1996, consist of Hospital Revenue Bonds that were issued by the Michigan State Hospital Finance Authority (the "Authority"). The bonds consist of serial bonds, payable in annual installments ranging from \$345,000 on October 1, 2005 to \$385,000 on October 1, 2007, at an interest rate ranging from 6.00 percent to 6.20 percent, and term bonds payable in annual installments ranging from \$410,000 on October 1, 2008 to \$1,350,000 on October 1, 2027, at an interest rate of 6.25 percent. The Hospital has pledged all future accounts, contract rights, chattel paper, instruments, documents, and general intangibles as described in the security agreement.

Bonds payable, Series 1993A, consist of Hospital Revenue Refunding Bonds that were issued by the Michigan State Hospital Finance Authority. The bonds consist of serial bonds, payable in an annual installment of \$580,000 on October 1, 2005 and term bonds payable in annual installments ranging from \$615,000 on October 1, 2006 to \$690,000 on October 1, 2008, at an interest rate of 6.00 percent. The Hospital has pledged substantially all deposits and investments and other assets for the payment of the bonds as described in the security agreement.

In connection with its loan agreement with the Authority, the Hospital has made a covenant relative to minimum debt service requirements and has agreed to maintain specified insurance coverage among other covenants. The Hospital is required to maintain certain deposits with a trustee. Such deposits are included in assets limited as to use (see Note 5).

Capital lease obligations consist primarily of capital leases entered into for the purchase of equipment, which were subsequently transferred to a joint venture as part of the Hospital's investment in the joint venture (see Note 7). The capital leases require monthly payments of approximately \$83,000, including imputed interest ranging from 6.3 percent to 7.3 percent.

Central Michigan Community Hospital and Subsidiary

Notes to Consolidated Financial Statements September 30, 2005 and 2004

Note 10 - Long-term Debt (Continued)

Minimum principal payments on bonds payable and other long-term debt obligations to maturity as of September 30, 2005 are as follows:

	<u>Long-term Debt</u>	<u>Capital Leases Obligations</u>
2006	\$ 925,000	\$ 1,040,877
2007	980,000	996,869
2008	1,035,000	941,765
2009	1,100,000	944,797
2010	440,000	741,676
Thereafter	<u>15,070,000</u>	<u>-</u>
Total	19,550,000	4,665,984
Less unamortized discount	<u>(622,348)</u>	<u>-</u>
Total	<u>\$ 18,927,652</u>	<u>\$ 4,665,984</u>

Note 11 - Line of Credit

The Hospital has available a line of credit with a bank for \$2,000,000 at September 30, 2005 and 2004, at a variable interest rate based on the prime rate. As of September 30, 2005 and 2004, the Hospital did not have any outstanding borrowings on the line of credit.

Note 12 - Other Income (Loss)

The details of other income (loss) are shown below:

	<u>2005</u>	<u>2004</u>
Investment income:		
Funded depreciation	\$ 56,282	\$ 16,941
General	<u>385,010</u>	<u>269,696</u>
Total investment income	441,292	286,637
Equity loss in joint venture	(317,444)	-
Other expense	<u>(288,328)</u>	<u>(564,468)</u>
Total other loss	<u>\$ (164,480)</u>	<u>\$ (277,831)</u>

Central Michigan Community Hospital and Subsidiary

Notes to Consolidated Financial Statements September 30, 2005 and 2004

Note 13 - Professional Liability Insurance

The Hospital is insured against potential professional liability claims under a claims-made policy, whereby only the claims reported to the insurance carrier during the policy period are covered regardless of when the incident giving rise to the claim occurred. Under the terms of the policy, the Hospital must pay a deductible toward the cost of litigating or settling any asserted claim. In addition, the Hospital bears the risk of the ultimate costs of any individual claim exceeding the policy limits for claims asserted in the policy year.

At September 30, 2005 and 2004, the Hospital has accrued \$450,000 and \$550,000, respectively, for estimated losses in connection with those professional liability claims for which an amount can be reasonably estimated.

Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during the claims-made term, but reported subsequently, will be uninsured.

Note 14 - Net Patient Service Revenue

Net patient service revenue consists of the following:

	2005	2004
Routine services and inpatient ancillary	\$ 44,654,686	\$ 42,341,720
Outpatient ancillary services	98,500,943	90,717,247
Total patient revenue	143,155,629	133,058,967
Revenue deductions:		
Current year	84,374,369	79,804,334
Prior year settlements	(950,000)	(2,700,000)
Total revenue deductions	83,424,369	77,104,334
Net patient service revenue	\$ 59,731,260	\$ 55,954,633

Note 15 - Functional Expenses

The Hospital and its subsidiary provide general health care services to residents within their geographic locations. Expenses related to providing these services are as follows:

	2005	2004
Health care services	\$ 46,019,987	\$ 43,720,677
General and administrative	16,169,185	12,677,954
Total	\$ 62,189,172	\$ 56,398,631