



FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC
ACCOUNTANTS

**BOARD OF TRUSTEES OF
SMITH COUNTY MEMORIAL HOSPITAL**

March 31, 2009 and 2008

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Audit • Tax • Advisory

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Board of Trustees of
Smith County Memorial Hospital

We have audited the accompanying balance sheets of the **Board of Trustees of Smith County Memorial Hospital** (Board of Trustees) as of March 31, 2009 and 2008 and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Board of Trustees of Smith County Memorial 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 as established by the American Institute of Certified Public Accountants and the Kansas Municipal Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board of Trustees' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Smith County Memorial Hospital** as of March 31, 2009 and 2008 and the results of its revenues, expenses and changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Board of Trustees has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Grant Thornton LLP

Wichita, Kansas
August 3, 2009

Board of Trustees of Smith County Memorial Hospital

BALANCE SHEETS

March 31,

ASSETS

| | <u>2009</u> | <u>2008</u> |
|-------------------------|-------------------|-------------------|
| CURRENT ASSETS | | |
| Cash | \$ 277,735 | \$ 188,026 |
| Certificates of deposit | 200,000 | 650,000 |
| Accrued interest | 604 | 3,314 |
| Due from Hospital | <u>5,413</u> | <u>-</u> |
| Total assets | <u>\$ 483,752</u> | <u>\$ 841,340</u> |

LIABILITIES AND NET ASSETS

| | | |
|----------------------------------|-------------------|-------------------|
| CURRENT LIABILITIES | | |
| Due to Hospital | \$ 112,395 | \$ 24,511 |
| UNRESTRICTED NET ASSETS | <u>371,357</u> | <u>816,829</u> |
| Total liabilities and net assets | <u>\$ 483,752</u> | <u>\$ 841,340</u> |

The accompanying notes are an integral part of these statements.

Board of Trustees of Smith County Memorial Hospital

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSEETS

Year ended March 31,

| | 2009 | 2008 |
|---|------------|------------|
| Operating revenues | | |
| Tax appropriations | \$ 256,962 | \$ 270,460 |
| Operating expenses | 2,133 | 1,909 |
| Operating income | 254,829 | 268,551 |
| Nonoperating revenues (expenses) | | |
| Interest | 13,080 | 28,550 |
| Contributions | 11,514 | - |
| Contribution (Note D) | (25,000) | - |
| Net nonoperating revenues (expenses) | (406) | 28,550 |
| Excess of revenues over expenses before transfers | 254,423 | 297,101 |
| Transfers to Hospital | | |
| For operations and equipment | (699,895) | (305,425) |
| Forgiveness of note repayment (Note E) | - | (450,000) |
| Transfer to Smith County | - | (87,279) |
| Decrease in net assets | (445,472) | (545,603) |
| Net assets at beginning of year | 816,829 | 1,362,432 |
| Net assets at end of year | \$ 371,357 | \$ 816,829 |

The accompanying notes are an integral part of these statements.

Board of Trustees of Smith County Memorial Hospital

STATEMENTS OF CASH FLOWS

Year ended March 31,

Increase (decrease) in cash

| | 2009 | 2008 |
|---|------------|------------|
| Cash flows from operating activities | | |
| Tax appropriations received | \$ 256,962 | \$ 270,460 |
| Other payments | (2,133) | (1,909) |
| | 254,829 | 268,551 |
| Net cash provided by operating activities | 254,829 | 268,551 |
| Cash flows from noncapital financing activities | | |
| Transfers to Hospital for operations and equipment | (612,011) | (280,914) |
| Transfers to Smith County | - | (87,279) |
| Noncapital contributions received | 6,101 | - |
| | (605,910) | (368,193) |
| Net cash used in noncapital financing activities | (605,910) | (368,193) |
| Cash flows from investing activities | | |
| Interest received | 15,790 | 28,329 |
| Purchase of certificates of deposit | (200,000) | (100,000) |
| Proceeds from maturities of certificates of deposit | 650,000 | 100,000 |
| Contributions paid | (25,000) | - |
| | 440,790 | 28,329 |
| Net cash provided by investing activities | 440,790 | 28,329 |
| Net increase (decrease) in cash | 89,709 | (71,313) |
| Cash at beginning of year | 188,026 | 259,339 |
| Cash at end of year | \$ 277,735 | \$ 188,026 |
| Reconciliation of excess of revenues over expenses before transfers to net cash provided by operating activities | | |
| Excess of revenue over expenses before transfers | \$ 254,423 | \$ 297,101 |
| Adjustments to reconcile excess of revenues over expenses before transfers to net cash provided by operating activities | | |
| Interest income | (13,080) | (28,550) |
| Contributions, net | 13,486 | - |
| | 254,829 | 268,551 |
| Net cash provided by operating activities | \$ 254,829 | \$ 268,551 |

The accompanying notes are an integral part of these statements.

Board of Trustees of Smith County Memorial Hospital

NOTES TO FINANCIAL STATEMENTS

March 31, 2009 and 2008

NOTE A - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Board of Trustees of Smith County Memorial Hospital (Board of Trustees) was organized by the County Commissioners of Smith County to operate a governmental hospital and to control the use of tax appropriations. The Board of Trustees is appointed by the County Commissioners of Smith County.

Great Plains of Smith County, Inc. (GPSC) is located in Smith Center, Kansas and provides acute, swing-bed, long-term care and clinic services. The operations of GPSC are reported on separately from the Board of Trustees due to the lease of Hospital operations by GPSC (Note B).

1. Use of estimates

In preparing the Board of Trustees' financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

2. Proprietary fund accounting

The Board of Trustees' financial statements are comprised solely of an enterprise fund that uses proprietary fund reporting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, 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.

3. Cash equivalents

For purposes of the statements of cash flows, the Board of Trustees considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at March 31, 2009 and 2008.

NOTE B - LEASE AND MANAGEMENT AGREEMENT

The Board of Trustees has entered into a lease agreement to lease the hospital facilities to GPSC for one dollar. The lease term provides that GPSC 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 with 60 days notice.

NOTE C - CASH AND CERTIFICATES OF DEPOSIT

Kansas statutes require deposits in excess of FDIC coverage to be collateralized by securities issued by the United States of America or an agency thereof or by authorized securities issued by municipalities of the State of Kansas.

Board of Trustees of Smith County Memorial Hospital

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2009 and 2008

NOTE C - CASH AND CERTIFICATES OF DEPOSIT - Continued

The Board of Trustees maintains its bank deposits (checking and 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.

All certificates of deposit have remaining maturities of less than one year and are reported at cost, which approximates fair value.

The Board of Trustees' bank balances at March 31 were as follows:

| | 2009 | 2008 |
|--|------------|------------|
| Insured (FDIC) | \$ 450,000 | \$ 200,000 |
| Collateralized by securities held on behalf of the pledging financial institution in the Board of Trustees' name | 27,735 | 638,026 |
| Total | \$ 477,735 | \$ 838,026 |
| Carrying amount | \$ 477,735 | \$ 838,026 |

The carrying amount of cash and certificates of deposit are included in the Board of Trustees' balance sheet at March 31 as follows:

| | 2009 | 2008 |
|-------------------------|------------|------------|
| Carrying amount | | |
| Cash | \$ 277,735 | \$ 188,026 |
| Certificates of deposit | 200,000 | 650,000 |
| | \$ 477,735 | \$ 838,026 |

NOTE D - CONTRIBUTION

During 2009, the Board contributed \$25,000 to and entered into an Organization Fund Agreement (Agreement) with the Smith County Community Foundation, an affiliate of the Greater Salina Community Foundation (Foundation). In connection with the contribution and Agreement, the Foundation established the Smith County Memorial Hospital Fund (Fund). Per the Agreement, the Fund is to be held in perpetuity as a component fund of the Foundation with annual distributions from the Fund available for the benefit of the Smith County Memorial Hospital. The contribution has been accounted for as an expense in the accompanying statement of revenue, expense and changes in net assets as the Agreement allows the Foundation to exercise power to vary the terms of gift under certain conditions.

**Board of Trustees of Smith County
Memorial Hospital**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2009 and 2008

NOTE E - NOTE RECEIVABLE

A noninterest bearing, uncollateralized note receivable from GPSC totaling \$450,000 was forgiven by the Board of Trustees during 2008.



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