

**Hospital District No. 6 of Harper County, Kansas  
(d/b/a Anthony Medical Center)**

Accountants' Report and Financial Statements

December 31, 2010 and 2009



**Hospital District No. 6 of Harper County, Kansas  
(d/b/a Anthony Medical Center)**

**December 31, 2010 and 2009**

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## Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Directors  
Hospital District No. 6 of Harper County, Kansas  
d/b/a Anthony Medical Center  
Anthony, Kansas

We have audited the accompanying balance sheets of Hospital District No. 6 of Harper County, Kansas (d/b/a Anthony Medical Center) as of December 31, 2010 and 2009, 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 Medical Center's management. 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 Hospital District No. 6 of Harper County, Kansas (d/b/a Anthony Medical Center) as of December 31, 2010 and 2009, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Medical Center has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the Medical Center's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*BKD, LLP*

Wichita, Kansas  
April 28, 2011

# Hospital District No. 6 of Harper County, Kansas (d/b/a Anthony Medical Center)

## Balance Sheets

December 31, 2010 and 2009

### Assets

	2010	2009
<b>Current Assets</b>		
Cash and cash equivalents	\$ 421,369	\$ 88,619
Patient accounts receivable, net of allowance; 2010 - \$500,995, 2009 - \$619,763	615,222	764,297
Property and sales taxes receivable	544,661	556,283
Estimated amounts due from third-party payers	225,000	196,000
Supplies	130,586	149,007
Prepaid expenses and other	46,188	163,617
Total current assets	1,983,026	1,917,823
<b>Noncurrent Cash and Investments</b>		
Certificates of deposit	394,046	704,048
<b>Capital Assets, Net</b>		
Total assets	\$ 4,853,728	\$ 4,896,525

### Liabilities and Net Assets

<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 208,291	\$ 207,121
Accounts payable	208,127	277,128
Accrued expenses	349,541	348,942
Deferred property tax revenue	505,761	516,183
Total current liabilities	1,271,720	1,349,374
<b>Long-term Debt</b>		
Total liabilities	806,998	1,033,247
Total liabilities	2,078,718	2,382,621
<b>Net Assets</b>		
Invested in capital assets, net of related debt	1,334,651	1,034,286
Unrestricted	1,440,359	1,479,618
Total net assets	2,775,010	2,513,904
Total liabilities and net assets	\$ 4,853,728	\$ 4,896,525

**Hospital District No. 6 of Harper County, Kansas  
(d/b/a Anthony Medical Center)**

**Statements of Revenues, Expenses and Changes in Net Assets  
Years Ended December 31, 2010 and 2009**

	<b>2010</b>	<b>2009</b>
<b>Operating Revenues</b>		
Net patient service revenue before provision for bad debts	\$ 5,484,035	\$ 6,134,061
Provision for bad debts	(162,411)	(312,780)
Net patient service revenue	5,321,624	5,821,281
Other revenues	257,695	305,339
Total operating revenues	5,579,319	6,126,620
<b>Operating Expenses</b>		
Salaries and wages	3,421,118	3,699,865
Employee benefits	771,916	746,836
Purchased services and professional fees	280,246	289,135
Supplies and other		
Nursing	195,546	305,979
Other professional services	592,327	800,483
General services	277,965	320,786
Administrative services	300,118	336,327
Depreciation and amortization	294,872	336,701
Insurance	72,333	88,518
Total operating expenses	6,206,441	6,924,630
<b>Operating Loss</b>	(627,122)	(798,010)
<b>Nonoperating Revenues (Expenses)</b>		
Interest income	24,621	33,627
Gain (loss) on disposal of assets	(58,999)	309,444
Interest expense	(79,046)	(74,338)
Property and sales tax appropriations	723,435	795,871
Total nonoperating revenues	610,011	1,064,604
<b>Excess (Deficiency) of Revenue Over Expenses Before     Capital Grants and Gifts</b>	(17,111)	266,594
<b>Capital Grants and Gifts</b>	278,217	25,000
<b>Increase in Net Assets</b>	261,106	291,594
<b>Net Assets, Beginning of the Year</b>	2,513,904	2,222,310
<b>Net Assets, End of the Year</b>	\$ 2,775,010	\$ 2,513,904

# Hospital District No. 6 of Harper County, Kansas (d/b/a Anthony Medical Center)

## Statements of Cash Flows

Years Ended December 31, 2010 and 2009

	<b>2010</b>	<b>2009</b>
<b>Operating Activities</b>		
Receipts from and on behalf of patients	\$ 5,441,699	\$ 5,884,411
Payments to suppliers and contractors	(1,718,732)	(2,291,489)
Payments to employees	(4,192,435)	(4,451,411)
Other receipts, net	258,895	306,339
Net cash used in operating activities	(210,573)	(552,150)
<b>Noncapital Financing Activities</b>		
Property and sales taxes supporting operations	723,435	795,871
Net cash provided by noncapital financing activities	723,435	795,871
<b>Capital and Related Financing Activities</b>		
Principal paid on long-term debt	(225,079)	(195,396)
Capital grants and gifts	278,217	25,000
Insurance proceeds received from involuntary conversion	-	376,500
Proceeds from sale of capital assets	749	-
Interest paid on long-term debt	(79,046)	(74,338)
Purchase of capital assets	(489,576)	(81,350)
Net cash provided by (used in) capital and related financing activities	(514,735)	50,416
<b>Investing Activities</b>		
Purchase of certificates of deposits	(393,886)	(280,243)
Proceeds from sales and maturities of investments	703,888	-
Interest on investments	24,621	33,627
Net cash provided by (used in) investing activities	334,623	(246,616)
<b>Increase in Cash and Cash Equivalents</b>	332,750	47,521
<b>Cash and Cash Equivalents, Beginning of Year</b>	88,619	41,098
<b>Cash and Cash Equivalents, End of Year</b>	\$ 421,369	\$ 88,619

**Hospital District No. 6 of Harper County, Kansas  
(d/b/a Anthony Medical Center)  
Statements of Cash Flows (Continued)  
Years Ended December 31, 2010 and 2009**

	<b>2010</b>	<b>2009</b>
<b>Reconciliation of Net Operating Revenues (Expenses) to Net Cash Used in Operating Activities</b>		
Operating loss	\$ (627,122)	\$ (798,010)
Depreciation and amortization	294,872	336,701
Changes in operating assets and liabilities		
Receivables, net	149,075	449,130
Inventories	18,421	109,939
Prepaid expenses and other assets	117,429	(79,187)
Accounts payable and accrued liabilities	(134,248)	(184,723)
Estimated third-party payer settlements	(29,000)	(386,000)
Net cash used in operating activities	\$ (210,573)	\$ (552,150)
<b>Supplemental Cash Flow Information</b>		
Capital lease obligation incurred for property and equipment	\$ -	\$ 536,121
Capital assets included in accounts payable	\$ 126,720	\$ 59,674

# Hospital District No. 6 of Harper County, Kansas (d/b/a Anthony Medical Center)

## Notes to Financial Statements

December 31, 2010 and 2009

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

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

Hospital District No. 6 of Harper County, Kansas, operating as Anthony Medical Center (the Medical Center), was organized for the purpose of providing health care services to patients on an inpatient and outpatient basis in Harper County, Kansas and surrounding area. The Medical Center is governed by a Board of Directors elected by the registered voters of the District.

#### ***Basis of Accounting and Presentation***

The financial statements of the Medical Center 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 (principally federal and state grants and county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific (such as county appropriations), property taxes, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Medical Center first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

The Medical Center 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 Medical Center has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) that were issued on or before November 30, 1989, and 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 Medical Center considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2010 and 2009, cash equivalents consisted of money market accounts.

# Hospital District No. 6 of Harper County, Kansas (d/b/a Anthony Medical Center)

## Notes to Financial Statements December 31, 2010 and 2009

### ***Property and Sales Tax Revenues***

The Medical Center operates under Kansas statutes as a hospital district and is entitled to receive a portion of the property taxes levied by the county. These proceeds are not restricted to specific uses by the Medical Center. The county levies property taxes in August of each year for the following budgetary period January 1 through December 31, based on the assessed value of property on the previous January 1. These property tax levies are approved by the state of Kansas in November. Property tax statements are mailed out in November with amounts due in December and May. City sales taxes are collected by Anthony, Kansas and remitted to the Medical Center monthly. The 2010 and 2009 tax revenues are as follows:

	<b>2010</b>	<b>2009</b>
Property	\$ 569,027	\$ 636,362
Sales	154,408	159,509
	\$ 723,435	\$ 795,871

### ***Risk Management***

The Medical Center is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters, except workers' compensation. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Workers' compensation coverage is provided through a fund managed by the Kansas Hospital Association. The workers' compensation premiums are subject to retrospective adjustment based upon the overall performance of the fund. Management believes adequate reserves are in place within the plan to cover claims incurred but not reported and no additional amounts have been accrued related to claims for this plan.

### ***Patient Accounts Receivable***

The Medical Center reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Medical Center provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. As a service to the patient, the Medical Center bills third-party payers directly and bills the patient when the patient's liability is determined. Patient accounts receivable are due in full when billed. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account.

# Hospital District No. 6 of Harper County, Kansas (d/b/a Anthony Medical Center)

## Notes to Financial Statements December 31, 2010 and 2009

### **Supplies**

All supply inventories are stated at the lower of cost or market using the first-in, first-out method to determine cost.

### **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. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Medical Center:

Land improvements	3 - 20 years
Buildings and leasehold improvements	5 - 40 years
Equipment	3 - 20 years

### **Compensated Absences**

Medical Center policies permit most employees to accumulate vacation benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date, plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

### **Net Assets**

Net assets of the Medical Center are classified in two components. Net assets invested in capital assets, net of related debt, consist of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Unrestricted net assets are remaining assets less remaining liabilities that do not meet the definition of invested in capital assets, net of related debt.

### **Net Patient Service Revenue**

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. 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.

# Hospital District No. 6 of Harper County, Kansas (d/b/a Anthony Medical Center)

## Notes to Financial Statements

December 31, 2010 and 2009

### **Income Taxes**

As a District (a political subdivision of Harper County and the state of Kansas), the Medical Center 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 Medical Center is subject to federal income taxes on any unrelated business taxable income. The Hospital has also obtained 501(c)(3) status with the IRS.

### **Uncompensated Care**

The Medical Center provides uncompensated care to patients meeting certain criteria under its uncompensated care policy. The amount of uncompensated care is included in net patient service revenue and is not separately classified from the provision for bad debts.

### **Note 2: Net Patient Service Revenue**

The Medical Center has agreements with third-party payers that provide for payments to the Medical Center at amounts different from its established rates. A summary of the payment arrangements with major third-party payers follows:

*Medicare.* The Medical Center is recognized as a Critical Access Hospital (CAH) and is paid at one hundred one percent (101%) of allowable costs for certain inpatient and outpatient services. The Medical Center is reimbursed for certain services and cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicare Administrative Contractor.

*Medicaid.* The Medical Center is paid for inpatient and outpatient services rendered to Medicaid program beneficiaries who are not part of a Medicaid managed care network on a cost reimbursement methodology. Medicaid managed care patients are reimbursed under a prospective reimbursement methodology. The Medical Center is reimbursed at tentative rates with final settlements determined after submission of annual cost reports by the Medical Center and reviews thereof by the Kansas Health Policy Authority.

Approximately 78% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for both the years ended December 31, 2010 and 2009. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

# Hospital District No. 6 of Harper County, Kansas (d/b/a Anthony Medical Center)

## Notes to Financial Statements December 31, 2010 and 2009

The Medical Center has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Medical Center under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

### Note 3: 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 Medical Center's 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 and other acceptable collateral in specific amounts. No legal opinion has been obtained regarding the enforceability of any of the collateral arrangements.

At December 31, 2010 and 2009, respectively, \$444,422 and \$279,331 of the Medical Center's bank balances of \$944,950 and \$857,279 were exposed to custodial credit risk as follows:

	2010	2009
Uninsured and collateral held by pledging financial institution's agent in other than the Medical Center's name	\$ 444,422	\$ 279,331

### Summary of Carrying Values

The carrying values of deposits shown above are included in the balance sheets as follows:

	2010	2009
Carrying value		
Deposits	\$ 815,115	\$ 792,367
Petty cash	300	300
	\$ 815,415	\$ 792,667
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 421,369	\$ 88,619
Noncurrent cash and investments	394,046	704,048
	\$ 815,415	\$ 792,667

# Hospital District No. 6 of Harper County, Kansas (d/b/a Anthony Medical Center)

## Notes to Financial Statements December 31, 2010 and 2009

### Note 4: Patient Accounts Receivable

The Medical Center grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at December 31 consisted of:

	2010	2009
Medicare	\$ 248,908	\$ 325,358
Medicaid	13,287	15,614
Other third-party payers	194,812	257,817
Patients	659,210	785,271
	1,116,217	1,384,060
Less allowance for uncollectible accounts	500,995	619,763
	\$ 615,222	\$ 764,297

### Note 5: Capital Assets

Capital asset activity for the years ended December 31 was:

	2010				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Land	\$ 5,104	\$ -	\$ -	\$ -	\$ 5,104
Land improvements	216,851	-	-	-	216,851
Buildings	2,713,059	-	-	-	2,713,059
Construction in process	59,748	526,616	(59,745)	(74,693)	451,926
Equipment – minor	106,189	-	-	-	106,189
Equipment – major	3,304,131	30,006	(2,292)	74,693	3,406,538
Leasehold improvements	6,228	-	-	-	6,228
	6,411,310	556,622	(62,037)	-	6,905,895
Less accumulated depreciation					
Land improvements	(104,349)	(13,849)	-	-	(118,198)
Buildings	(1,635,086)	(91,504)	-	-	(1,726,590)
Equipment – minor	(106,069)	(122)	-	-	(106,191)
Equipment – major	(2,285,029)	(189,372)	2,292	-	(2,472,109)
Leasehold improvements	(6,126)	(25)	-	-	(6,151)
	(4,136,659)	(294,872)	2,292	-	(4,429,239)
Capital Assets, Net	\$ 2,274,651	\$ 261,750	\$ (59,745)	\$ -	\$ 2,476,656

# Hospital District No. 6 of Harper County, Kansas (d/b/a Anthony Medical Center)

## Notes to Financial Statements December 31, 2010 and 2009

	2009				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Land	\$ 5,104	\$ -	\$ -	\$ -	\$ 5,104
Land improvements	216,851	-	-	-	216,851
Buildings	2,775,681	41,800	(104,422)	-	2,713,059
Construction in process	58,703	418,871	-	(417,826)	59,748
Equipment – minor	106,189	-	-	-	106,189
Equipment – major	2,844,925	88,126	(46,746)	417,826	3,304,131
Leasehold improvements	6,228	-	-	-	6,228
	<u>6,013,681</u>	<u>548,797</u>	<u>(151,168)</u>	<u>-</u>	<u>6,411,310</u>
Less accumulated depreciation					
Land improvements	(90,500)	(13,849)	-	-	(104,349)
Buildings	(1,582,693)	(102,426)	50,033	-	(1,635,086)
Equipment – minor	(104,502)	(1,567)	-	-	(106,069)
Equipment – major	(2,109,274)	(218,831)	43,076	-	(2,285,029)
Leasehold improvements	(6,098)	(28)	-	-	(6,126)
	<u>(3,893,067)</u>	<u>(336,701)</u>	<u>93,109</u>	<u>-</u>	<u>(4,136,659)</u>
Capital Assets, Net	<u>\$ 2,120,614</u>	<u>\$ 212,096</u>	<u>\$ (58,059)</u>	<u>\$ -</u>	<u>\$ 2,274,651</u>

### Note 6: Medical Malpractice Coverage and Claims

The Medical Center purchases medical malpractice insurance under a claims-made policy with a fixed premium which provides \$200,000 of coverage for each medical incident and \$600,000 of aggregate coverage for each policy year. The policy only covers claims made and reported to the insurer during the policy term, regardless of when the incident giving rise to the claim occurred. The Kansas Health Care Stabilization Fund provides an additional \$300,000 of coverage for each medical incident and \$900,000 of aggregate coverage for each policy year.

Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Medical Center's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the future.

# Hospital District No. 6 of Harper County, Kansas (d/b/a Anthony Medical Center)

## Notes to Financial Statements December 31, 2010 and 2009

### Note 7: Long-term Obligations

The following is a summary of long-term obligation transactions for the Medical Center for the years ended December 31:

	<b>2010</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Payments</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Long-term debt					
Capital lease obligations	\$ 1,240,368	\$ -	\$ 225,079	\$ 1,015,289	\$ 208,291
	<b>2009</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Payments</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Long-term debt					
Capital lease obligations	\$ 899,643	\$ 536,121	\$ 195,396	\$ 1,240,368	\$ 207,121

### Capital Lease Obligations

The Medical Center is obligated under leases for buildings and equipment that are accounted for as capital leases. Assets under capital leases at December 31, 2010 and 2009, totaled \$1,584,511 and \$1,539,777, net of accumulated depreciation of \$776,937 and \$532,524, respectively. The following is a schedule by year of future minimum lease payments under the capital leases, including interest at rates of 2.4% to 7.87%, together with the present value of the future minimum lease payments as of December 31, 2010:

2011	\$ 271,502
2012	174,099
2013	131,264
2014	88,692
2015	88,556
2016-2020	442,780
2021-2024	169,979
Total minimum lease payments	1,366,872
Less amount representing interest	351,583
Present value of future minimum lease payments	\$ 1,015,289

# Hospital District No. 6 of Harper County, Kansas (d/b/a Anthony Medical Center)

## Notes to Financial Statements December 31, 2010 and 2009

### Note 8: Cost-sharing Multiple-employer Defined Benefit Plan

#### *Plan Description*

The Medical Center contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the KPERS Board of Trustees. Pension expense is recorded for the amount the Medical Center is contractually required to contribute for the year. The plan provides retirement and disability benefits including annual cost-of-living adjustments and death benefits to plan members and their beneficiaries. The Kansas Legislature, with concurrence of the Governor, has the authority to establish and amend benefit provisions. The plan issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The report may be obtained by writing to the plan at Kansas Public Employees Retirement System, 611 South Kansas Avenue, Suite 100, Topeka, Kansas 66603-3869, or by calling 1.888.275.5737.

#### *Funding Policy*

The authority to establish and amend requirements of plan members and the Medical Center is set forth by the Kansas Legislature with the concurrence of the Governor. Plan members are required to contribute 4% of their annual covered salary. The Medical Center is required to contribute at an actuarially determined rate; the rate was 6.14%, 5.54% and 5.31% of annual covered payroll for 2010, 2009 and 2008, respectively. The Medical Center's contributions to the plan for 2010, 2009 and 2008 were \$206,122, \$171,687 and \$163,250, respectively, which equaled the required contribution for the year. State law limits the Medical Center's future contribution rate increases to a maximum of 0.6% plus the cost of any benefit enhancements.

### Note 9: Hospital Foundation

Anthony Medical Center and Clinic Association Foundation (Foundation) is a not-for-profit corporation organized in 1992 for the purpose of supporting and promoting the Medical Center and assisting community activities relating to providing health care services. The unaudited financial position and results of operations of the Foundation as of and for the years ended December 31, 2010 and 2009, are summarized as follows:

	<b>2010</b>	<b>2009</b>
Investments	\$ 174,658	\$ 448,582
Net assets	\$ 174,658	\$ 448,582
Revenue	\$ 96,358	\$ 26,716
Expenses	91,347	34,857
Revenue over (under) expenses	\$ 5,011	\$ (8,141)

# Hospital District No. 6 of Harper County, Kansas (d/b/a Anthony Medical Center)

## Notes to Financial Statements

December 31, 2010 and 2009

The Foundation provided \$78,842 and \$21,757 of support to the Medical Center during the years ended December 31, 2010 and 2009, respectively.

### Note 10: Risks and Uncertainties

#### *Current Economic Conditions*

The current protracted economic decline continues to present hospitals with difficult circumstances and challenges, which in some cases have resulted in large and unanticipated declines in the fair value of investments and other assets, large declines in contributions, increases in bad debts, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Medical Center.

Current economic conditions, including the rising unemployment rate, have made it difficult for certain patients to pay for services rendered. As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on the Medical Center's future operating results. Further, the effect of economic conditions on the state may have an adverse effect on cash flows related to the Medicaid program.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments allowances for accounts and contributions receivable that could negatively impact the Medical Center's ability to maintain sufficient liquidity.

### Note 11: Commitments

#### *Purchase of Software*

In the year ended December 31, 2011, the Medical Center will be required to pay the amount of \$1,012,454 for the purchase of licensed software, sublicensed software and equipment. The payment will be due the later of the first American Recovery and Reinvestment Act stimulus reimbursement or on October 15, 2011. The remaining balance is due in installment payments through the year ended December 31, 2015.

## **Supplementary Information**

**Hospital District No. 6 of Harper County, Kansas  
(d/b/a Anthony Medical Center)**

**Budget to Actual Comparison  
Year Ended December 31, 2010**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under)</u>
Net Patient Service Revenue	\$ 5,441,699	\$ 6,600,000	\$ (1,158,301)
Other	<u>271,894</u>	<u>240,000</u>	<u>31,894</u>
Total Revenue	5,713,593	6,840,000	(1,126,407)
Operating Expenses, Less Depreciation and Amortization Including Interest Expense	<u>5,990,213</u>	<u>7,713,130</u>	<u>(1,722,917)</u>
Operating Income (Loss) Before Tax Support	<u>\$ (276,620)</u>	<u>\$ (873,130)</u>	<u>\$ 596,510</u>