

**Cheyenne County Hospital Board of Trustees' Fund**  
**A Component Unit of Cheyenne County, Kansas**

Independent Auditor's Report and Financial Statements

December 31, 2012 and 2011



**Cheyenne County Hospital Board of Trustees' Fund**  
**A Component Unit of Cheyenne County, Kansas**

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## **Independent Auditor's Report on Financial Statements**

Board of Trustees  
Cheyenne County Hospital Board of Trustees' Fund  
St. Francis, Kansas

We have audited the accompanying financial statements of Cheyenne County Hospital Board of Trustees' Fund (Board of Trustees), a component unit of Cheyenne County, Kansas, which comprise the balance sheets as of December 31, 2012 and 2011, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express 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 provisions of the Kansas Municipal Audit and Accounting Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cheyenne County Hospital Board of Trustees' Fund as of December 31, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Required Supplementary Information***

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*BKD, LLP*

Wichita, Kansas  
April 18, 2013

# Cheyenne County Hospital Board of Trustees' Fund A Component Unit of Cheyenne County, Kansas

## Balance Sheets December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 147,637	\$ 160,453
Tax appropriations receivable	<u>55,357</u>	<u>120,313</u>
Total current assets	<u>202,994</u>	<u>280,766</u>
<b>Capital Assets - Land</b>	<u>13,000</u>	<u>13,000</u>
Total assets	<u><u>\$ 215,994</u></u>	<u><u>\$ 293,766</u></u>
 <b>Net Position</b>		
Net investment in capital assets	\$ 13,000	\$ 13,000
Unrestricted	<u>202,994</u>	<u>280,766</u>
Total net position	<u><u>\$ 215,994</u></u>	<u><u>\$ 293,766</u></u>

**Cheyenne County Hospital Board of Trustees' Fund**  
**A Component Unit of Cheyenne County, Kansas**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>Operating Revenues</b>		
Tax appropriations	\$ 781,466	\$ 575,487
<b>Operating Expenses</b>	<u>-</u>	<u>7,600</u>
<b>Operating Income</b>	<u>781,466</u>	<u>567,887</u>
<b>Nonoperating Revenues (Expenses)</b>		
Interest income	249	519
Noncapital gifts	11,263	5,295
Other income	-	103
Contributions to Hospital for operations	<u>(849,078)</u>	<u>(647,552)</u>
Total nonoperating revenues (expenses)	<u>(837,566)</u>	<u>(641,635)</u>
<b>Deficiency of Revenues Over Expenses</b>	(56,100)	(73,748)
<b>Contributions to Hospital for Property and Equipment</b>	<u>(21,672)</u>	<u>(3,652)</u>
<b>Decrease in Net Position</b>	(77,772)	(77,400)
<b>Net Position, Beginning of Year</b>	<u>293,766</u>	<u>371,166</u>
<b>Net Position, End of Year</b>	<u><u>\$ 215,994</u></u>	<u><u>\$ 293,766</u></u>

# Cheyenne County Hospital Board of Trustees' Fund

## A Component Unit of Cheyenne County, Kansas

### Statements of Cash Flows

Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Operating Activities</b>		
Tax appropriations received	\$ 846,422	\$ 511,767
Cash paid to suppliers	<u>-</u>	<u>(7,600)</u>
Net cash provided by operating activities	<u>846,422</u>	<u>504,167</u>
<b>Noncapital Financing Activities</b>		
Contributions to Hospital for operations	(849,078)	(647,552)
Noncapital gifts	11,263	5,295
Other	<u>-</u>	<u>103</u>
Net cash used in noncapital financing activities	<u>(837,815)</u>	<u>(642,154)</u>
<b>Capital and Related Financing Activities</b>		
Contributions to Hospital for property and equipment	<u>(21,672)</u>	<u>(3,652)</u>
<b>Investing Activities</b>		
Interest received	<u>249</u>	<u>519</u>
<b>Decrease in Cash</b>	(12,816)	(141,120)
<b>Cash, Beginning of Year</b>	<u>160,453</u>	<u>301,573</u>
<b>Cash, End of Year</b>	<u><u>\$ 147,637</u></u>	<u><u>\$ 160,453</u></u>
<b>Reconciliation of Net Operating Revenues to Net Cash Provided by Operating Activities</b>		
Operating income	\$ 781,466	\$ 567,887
Changes in tax appropriations receivable	<u>64,956</u>	<u>(63,720)</u>
Net cash provided by operating activities	<u><u>\$ 846,422</u></u>	<u><u>\$ 504,167</u></u>

# **Cheyenne County Hospital Board of Trustees' Fund A Component Unit of Cheyenne County, Kansas**

## **Notes to Financial Statements**

**December 31, 2012 and 2011**

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

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

The Cheyenne County Hospital Board of Trustees' Fund (Board of Trustees) was organized by Cheyenne County, Kansas to operate a governmental hospital and to control the use of tax appropriations. The Board of Trustees is appointed by the County Commissioners of Cheyenne County. The Board of Trustees is considered to be a component unit of Cheyenne County.

Great Plains of Cheyenne County, Inc. d/b/a Cheyenne County Hospital (GPC/Hospital) is located in St. Francis, Kansas and provides acute, skilled, intermediate care and clinic services. The operations of GPC are reported on separately from the Board of Trustees due to the lease of hospital operations by GPC (*Note 2*).

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

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

The Board of Trustees prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

#### ***Use of Estimates***

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

#### ***Cash Equivalents***

The Board of Trustees considers all liquid investments with original maturities of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2012 and 2011.

# **Cheyenne County Hospital Board of Trustees' Fund A Component Unit of Cheyenne County, Kansas**

## **Notes to Financial Statements**

**December 31, 2012 and 2011**

At December 31, 2012, the Board of Trustees' cash accounts did not exceed federally insured limits.

Pursuant to legislation enacted in 2010, the FDIC fully insured all noninterest-bearing transaction accounts beginning December 31, 2010, through December 31, 2012, at all FDIC-insured institutions. This legislation expired on December 31, 2012. Beginning January 1, 2013, noninterest-bearing transaction accounts are subject to the \$250,000 limit on FDIC insurance per covered institution.

### ***Tax Appropriations***

The Board of Trustees receives tax appropriations (property and sales) from Cheyenne County, Kansas. Property taxes are assessed in November and are received beginning in January of the following year. Revenue from property taxes is recognized in the year in which use is first permitted.

### ***Income Taxes***

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

### ***Subsequent Events***

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

## **Note 2: Lease and Management Agreement**

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

# **Cheyenne County Hospital Board of Trustees' Fund A Component Unit of Cheyenne County, Kansas**

## **Notes to Financial Statements**

**December 31, 2012 and 2011**

### **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 Board of Trustees' deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Kansas; bonds of any city, county, school district or special road district of the state of Kansas; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At December 31, 2012 and 2011, none of the Board of Trustees' deposits (checking and savings accounts) were exposed to custodial credit risk.

### **Note 4: Significant Estimates and Concentrations**

#### ***Current Economic Conditions***

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

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