

**Board of Trustees of Ottawa County Health Center
A Component Unit of Ottawa County, Kansas**

Independent Accountants' Report and Financial Statements

September 30, 2012 and 2011



Board of Trustees of Ottawa County Health Center
A Component Unit of Ottawa County, Kansas
September 30, 2012 and 2011

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Independent Accountants' Report

Board of Trustees
Board of Trustees of Ottawa County Health Center
Minneapolis, Kansas

We have audited the accompanying balance sheets of the Board of Trustees of Ottawa County Health Center (Board of Trustees), a component unit of Ottawa County, Kansas, as of September 30, 2012 and 2011, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Board of Trustees' 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 the Board of Trustees of Ottawa County Health Center as of September 30, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

BKD, LLP

January 18, 2013

Board of Trustees of Ottawa County Health Center
A Component Unit of Ottawa County, Kansas
Balance Sheets
September 30, 2012 and 2011

	2012	2011
Assets		
Current Assets		
Cash	\$ 242,799	\$ 431,776
Other	<u>21</u>	<u>20</u>
Total current assets	<u>242,820</u>	<u>431,796</u>
Capital Assets, At Cost		
Building and equipment	52,012	52,012
Less accumulated depreciation	<u>(51,145)</u>	<u>(50,151)</u>
Net capital assets	<u>867</u>	<u>1,861</u>
Investment in Ottawa County Property Management, LLC	<u>261,060</u>	<u>261,060</u>
Endowment	<u>98,677</u>	<u>90,509</u>
Total assets	<u><u>\$ 603,424</u></u>	<u><u>\$ 785,226</u></u>
 Net Assets		
Restricted nonexpendable permanent endowments	\$ 98,677	\$ 90,509
Unrestricted net assets	<u>504,747</u>	<u>694,717</u>
Total net assets	<u><u>\$ 603,424</u></u>	<u><u>\$ 785,226</u></u>

Board of Trustees of Ottawa County Health Center
A Component Unit of Ottawa County, Kansas
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating Revenues		
Tax appropriations	\$ 371,134	\$ 396,963
Operating Expenses		
Depreciation	993	993
Other	2,001	1,641
Total operating expenses	2,994	2,634
Operating Income	368,140	394,329
Nonoperating Revenues (Expenses)		
Contributions	10,540	12,876
Investment income (loss)	8,811	(7,776)
Contributions to Hospital for operations	(256,215)	(56,200)
Total nonoperating revenues (expenses)	(236,864)	(51,100)
Excess of Revenues Over Expenses	131,276	343,229
Contributions to Hospital for Property and Equipment	(313,078)	(406,870)
Decrease in Net Assets	(181,802)	(63,641)
Net Assets, Beginning of Year	785,226	848,867
Net Assets, End of Year	<u>\$ 603,424</u>	<u>\$ 785,226</u>

Board of Trustees of Ottawa County Health Center
A Component Unit of Ottawa County, Kansas
Statements of Cash Flows
Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating Activities		
Tax appropriations	\$ 371,134	\$ 396,963
Other operating expense payments	<u>(2,001)</u>	<u>(1,641)</u>
Net cash provided by operating activities	<u>369,133</u>	<u>395,322</u>
Noncapital Financing Activities		
Contributions	10,540	12,876
Contribution to Hospital for operations	<u>(256,215)</u>	<u>(56,200)</u>
Net cash used in noncapital financing activities	<u>(245,675)</u>	<u>(43,324)</u>
Capital and Related Financing Activities		
Contributions to Hospital for property and equipment	<u>(313,078)</u>	<u>(406,870)</u>
Investing Activities		
Interest received	<u>643</u>	<u>643</u>
Decrease in Cash	(188,977)	(54,229)
Cash, Beginning of Year	<u>431,776</u>	<u>486,005</u>
Cash, End of Year	<u><u>\$ 242,799</u></u>	<u><u>\$ 431,776</u></u>
Reconciliation of Net Operating Revenues to Net Cash Provided by Operating Activities		
Operating income	\$ 368,140	\$ 394,329
Depreciation expense	<u>993</u>	<u>993</u>
Net cash provided by operating activities	<u><u>\$ 369,133</u></u>	<u><u>\$ 395,322</u></u>

Board of Trustees of Ottawa County Health Center
A Component Unit of Ottawa County, Kansas
Notes to Financial Statements
September 30, 2012 and 2011

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

Nature of Operations and Reporting Entity

The Board of Trustees of Ottawa County Health Center (Board of Trustees) was organized by the County Commissioners of Ottawa 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 Ottawa County. The Board of Trustees is considered to be a component unit of Ottawa County.

Great Plains of Ottawa County, Inc. (GPOC/Hospital) is located in Minneapolis, Kansas and provides acute, swing-bed, head trauma care and long-term care services. The operations of GPOC are reported on separately from the Board of Trustees due to the lease of hospital operations by GPOC (*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 transactions take 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. Contributions, investment income (loss) 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 accordance with the applicable pronouncements of the Governmental Accounting Standards Board (GASB). Pursuant to GASB Statement No. 20, the Board of Trustees has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Use of Estimates

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

Board of Trustees of Ottawa County Health Center
A Component Unit of Ottawa County, Kansas
Notes to Financial Statements
September 30, 2012 and 2011

Cash Equivalents

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

Capital Assets

Capital assets are recorded at cost if purchased or fair market value if donated. Capital assets consist of a building which is fully depreciated and related equipment. Depreciation of the equipment is provided using the straight-line method over an estimated useful life of 15 years.

Net Assets

The Board of Trustees' net assets are unrestricted, but by nature are to be used solely for the benefit of the hospital. Restricted net assets represent a permanent endowment fund which requires the principal or corpus to be retained in perpetuity.

Tax Appropriations

Property taxes are assessed in November of one year 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 Accountants' 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 GPOC for one dollar. In connection with this lease, Great Plains Health Alliance, the sole member of GPOC, has a management agreement with GPOC. The lease agreement provides that GPOC 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.

Board of Trustees of Ottawa County Health Center
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Notes to Financial Statements
September 30, 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 acceptable collateral having an aggregate value at least equal to the amount of the deposits. Effective July 21, 2010, the FDIC's insurance limits were permanently increased to \$250,000.

The Board of Trustees maintains its bank deposits (checking accounts) 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.

As of September 30, 2012 and 2011, none of the Board of Trustees' bank balances were exposed to custodial credit risk.

Note 4: Investment in Ottawa County Property Management, LLC

The Board of Trustees is a 50% member of Ottawa County Property Management, LLC (OCPM). The other 50% member is Ottawa County Health Planning Commission. Each member chooses three of the six board of managers. OCPM was organized to purchase and operate a medical clinic building in Minneapolis, Kansas. The investment in OCPM is accounted for using the equity method. The net income from OCPM is 100% allocated to the Ottawa County Health Planning Commission, so the Board of Trustees' investment in OCPM remains unchanged.

Note 5: Endowment and Restricted Net Assets

The endowment is the Board of Trustees' interest in a trust at a local bank established for the benefit of the hospital. The principal is invested in debt and equity securities which are reported at fair market value. Kansas law permits the local bank to authorize for expenditure the net appreciation of the investments in the endowment unless the contributor provides for specific instructions. The contributor of the endowment has instructed that distributions from the trust to the Board of Trustees by the local bank are unrestricted and can only be made from the investment income generated by the trust. The principal balance in the trust is restricted to investment in perpetuity.

The local bank authorizes distributions from the endowment as available. Net depreciation of \$2,683 and \$10,851 at September 30, 2012 and 2011, respectively, is reported as restricted nonexpendable permanent endowments in the net assets section of the balance sheet.

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September 30, 2012 and 2011

Note 6: 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 taxpayers to pay assessed taxes. Further, the effect of economic conditions on the government may have an adverse effect on cash flows.