

**Board of Trustees of Phillips County Hospital
A Component Unit of Phillips County, Kansas**

Independent Accountants' Report and Financial Statements

March 31, 2012 and 2011



Board of Trustees of Phillips County Hospital
A Component Unit of Phillips County, Kansas
March 31, 2012 and 2011

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Independent Accountants' Report

Board of Trustees of Phillips County Hospital
Phillipsburg, Kansas

We have audited the accompanying balance sheets of the Board of Trustees of Phillips County Hospital (Board of Trustees), a component unit of Phillips County, Kansas as of March 31, 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 of Phillips County 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 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 Phillips County Hospital as of March 31, 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 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

August 7, 2012

Board of Trustees of Phillips County Hospital
A Component Unit of Phillips County, Kansas
Balance Sheets
March 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Assets		
Current Assets		
Cash	\$ 413,471	\$ 190,961
Certificates of deposit	279,500	279,500
Interest receivable	<u>384</u>	<u>450</u>
Total assets	<u><u>\$ 693,355</u></u>	<u><u>\$ 470,911</u></u>
Unrestricted Net Assets	<u><u>\$ 693,355</u></u>	<u><u>\$ 470,911</u></u>

Board of Trustees of Phillips County Hospital
A Component Unit of Phillips County, Kansas
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended March 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating Revenues		
Tax appropriations	\$ 339,004	\$ 322,820
Operating Expenses	<u>2,759</u>	<u>578</u>
Operating Income	<u>336,245</u>	<u>322,242</u>
Nonoperating Revenues (Expenses)		
Interest income	5,093	5,697
Investment return	-	2,353
Noncapital gifts	9,698	1,862
Contribution to Hospital for operations	<u>(50,000)</u>	<u>(712,222)</u>
Total nonoperating revenues (expenses)	<u>(35,209)</u>	<u>(702,310)</u>
Excess (Deficiency) of Revenues Over Expenses	301,036	(380,068)
Contributions to Hospital for Property and Equipment	<u>(78,592)</u>	<u>(25,900)</u>
Increase (Decrease) in Net Assets	222,444	(405,968)
Net Assets, Beginning of Year	<u>470,911</u>	<u>876,879</u>
Net Assets, End of Year	<u><u>\$ 693,355</u></u>	<u><u>\$ 470,911</u></u>

Board of Trustees of Phillips County Hospital
A Component Unit of Phillips County, Kansas
Statements of Cash Flows
Years Ended March 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating Activities		
Tax appropriations received	\$ 339,004	\$ 322,820
Cash paid to suppliers and others	<u>(2,759)</u>	<u>(578)</u>
Net cash provided by operating activities	<u>336,245</u>	<u>322,242</u>
Noncapital Financing Activities		
Contributions to Hospital for operations	(50,000)	(712,222)
Noncapital gifts received	<u>9,698</u>	<u>1,862</u>
Net cash used in noncapital financing activities	<u>(40,302)</u>	<u>(710,360)</u>
Capital and Related Financing Activities		
Contributions to Hospital for property and equipment	<u>(78,592)</u>	<u>(25,900)</u>
Net cash used in capital and related financing activities	<u>(78,592)</u>	<u>(25,900)</u>
Investing Activities		
Interest income and investment return	5,159	10,753
Proceeds from disposition of investments	<u>-</u>	<u>61,680</u>
Net cash provided by investing activities	<u>5,159</u>	<u>72,433</u>
Increase (Decrease) in Cash	222,510	(341,585)
Cash, Beginning of Year	<u>190,961</u>	<u>532,546</u>
Cash, End of Year	<u><u>\$ 413,471</u></u>	<u><u>\$ 190,961</u></u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided by Operating Activities		
Operating income	<u>\$ 336,245</u>	<u>\$ 322,242</u>
Net cash provided by operating activities	<u><u>\$ 336,245</u></u>	<u><u>\$ 322,242</u></u>

Board of Trustees of Phillips County Hospital
A Component Unit of Phillips County, Kansas
Notes to Financial Statements
March 31, 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 Phillips County Hospital (Board of Trustees) was organized to control the use of tax appropriations. The Board of Trustees is appointed by the County Commissioners of Phillips County and is considered to be a component unit of Phillips County.

Great Plains of Phillips County, Inc. d/b/a Phillips County Hospital (GPPC/Hospital) provides acute, skilled, intermediate care and clinic services in Phillips County, Kansas. The operations of the Hospital are reported on separately from the Board of Trustees due to the lease of hospital operations by the Hospital (see *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 and contributions to Hospital for operations are included in nonoperating revenues and 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). 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 reported 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 March 31, 2012 and 2011.

Board of Trustees of Phillips County Hospital
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Tax Appropriations

The Board of Trustees receives tax appropriations from Phillips County, Kansas. Property taxes are assessed in November and are received beginning in January of each year. Revenue from property taxes is recognized in the year from which the taxes are assessed to the extent such taxes are collected and available for use.

Income Taxes

As an essential government function of the County, 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.

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 GPPC for one dollar. In connection with this lease, Great Plains Health Alliance, the sole member of GPPC, has a management agreement with GPPC. The lease agreement provides that GPPC 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 90-day notice.

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 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.

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

At March 31, 2012 and 2011, respectively, \$273,837 and \$50,461 of the Board of Trustees' bank balances of \$693,837 and \$470,461 were exposed to custodial credit risk as follows:

	2012	2011
Insured (FDIC)	\$ 420,000	\$ 420,000
Collateralized by securities held on behalf of the pledging financial institution in the Board of the Trustees' name	<u>273,837</u>	<u>50,461</u>
Total	<u><u>\$ 693,837</u></u>	<u><u>\$ 470,461</u></u>

Summary of Carrying Values

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

	2012	2011
Carrying Value		
Cash	\$ 413,471	\$ 190,961
Certificates of deposit	<u>279,500</u>	<u>279,500</u>
	<u><u>\$ 692,971</u></u>	<u><u>\$ 470,461</u></u>

Note 5: 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 and unanticipated 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 County's taxpayers to pay assessed taxes. Further, the effect of economic conditions on the government may have an adverse effect on cash flows.