

Board of Trustees of Smith County Memorial Hospital

Accountants' Report and Financial Statements

March 31, 2010 and 2009



Board of Trustees of Smith County Memorial Hospital
March 31, 2010 and 2009

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Independent Accountants' Report on Financial Statements

Board of Trustees
Board of Trustees of Smith County Memorial Hospital
Smith Center, Kansas

We have audited the accompanying balance sheet of the Board of Trustees of Smith County Memorial Hospital (Board of Trustees) as of March 31, 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the year 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 audit. The financial statements of the Board of Trustees of Smith County Memorial Hospital as of and for the year ended March 31, 2009, were audited by other accountants whose report dated August 3, 2009, expressed an unqualified opinion on those statements.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2010 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, 2010, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

BKD, LLA

October 20, 2010

Board of Trustees of Smith County Memorial Hospital

Balance Sheets

March 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Current Assets		
Cash	\$ 190,791	\$ 277,735
Certificates of deposit	226,501	200,000
Accrued interest	428	604
Due from Hospital	5,413	5,413
Estate receivable	413,750	-
	<u>413,750</u>	<u>-</u>
Total assets	<u>\$ 836,883</u>	<u>\$ 483,752</u>
Liabilities and Net Assets		
Current Liabilities		
Due to Hospital	\$ 11,790	\$ 112,395
Unrestricted Net Assets	<u>825,093</u>	<u>371,357</u>
Total liabilities and net assets	<u>\$ 836,883</u>	<u>\$ 483,752</u>

Board of Trustees of Smith County Memorial Hospital
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended March 31, 2010 and 2009

	2010	2009
Operating Revenues		
Tax appropriations	\$ 76,411	\$ 256,962
Operating Expenses	1,796	2,133
Operating Income	74,615	254,829
Nonoperating Revenues (Expenses)		
Interest	4,301	13,080
Contributions	413,750	11,514
Contributions (<i>Note 4</i>)	-	(25,000)
Total nonoperating revenues (expenses)	418,051	(406)
Excess of Revenues Over Expenses	492,666	254,423
Transfers		
To Hospital for operations and equipment	(238,930)	(699,895)
From Smith County for Hospital equipment	200,000	-
Net transfers	(38,930)	(699,895)
Increase (Decrease) in Net Assets	453,736	(445,472)
Net Assets, Beginning of Year	371,357	816,829
Net Assets, End of Year	\$ 825,093	\$ 371,357

Board of Trustees of Smith County Memorial Hospital
Statements of Cash Flows
Years Ended March 31, 2010 and 2009

	2010	2009
Operating Activities		
Tax appropriations received	\$ 76,411	\$ 256,962
Other payments	(1,796)	(2,133)
Net cash provided by operating activities	74,615	254,829
Noncapital Financing Activities		
Transfers to Hospital for operations and equipment	(339,535)	(612,011)
Transfers from Smith County for Hospital equipment	200,000	-
Noncapital grants and gifts	-	6,101
Net cash used in noncapital financing activities	(139,535)	(605,910)
Investing Activities		
Interest received	4,477	15,790
Purchase of certificates of deposit	(26,501)	(200,000)
Proceeds from maturities of certificates of deposit	-	650,000
Contributions paid	-	(25,000)
Net cash provided by (used in) investing activities	(22,024)	440,790
Increase (Decrease) in Cash	(86,944)	89,709
Cash, Beginning of Year	277,735	188,026
Cash, End of Year	\$ 190,791	\$ 277,735
Reconciliation of Excess of Revenues over Expenses		
Net Cash Provided By Operating Activities		
Excess of revenues over expenses	\$ 492,666	\$ 254,423
Interest income	(4,301)	(13,080)
Contributions, net	(413,750)	13,486
Net cash provided by operating activities	\$ 74,615	\$ 254,829

Board of Trustees of Smith County Memorial Hospital

Notes to Financial Statements

March 31, 2010 and 2009

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

Nature of Operations

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/Hospital) 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 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 and contributions 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 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 March 31, 2010 and 2009.

Board of Trustees of Smith County Memorial Hospital

Notes to Financial Statements

March 31, 2010 and 2009

Note 2: 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 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 of district's 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. Effective October 3, 2008, the FDIC's insurance limits 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.

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:

	<u>2010</u>	<u>2009</u>
Insured (FDIC)	\$ 417,292	\$ 450,000
Collateralized by securities held on behalf of the pledging financial institution in the Board of the Trustees' name	<u>-</u>	<u>27,735</u>
Total	<u>\$ 417,292</u>	<u>\$ 477,735</u>
Carrying amount	<u>\$ 417,292</u>	<u>\$ 477,735</u>

Board of Trustees of Smith County Memorial Hospital
Notes to Financial Statements
March 31, 2010 and 2009

Summary of Carrying Values

The carrying values of deposits shown above are included in the balance sheets at March 31 as follows:

	2010	2009
Carrying value		
Cash	\$ 190,791	\$ 277,735
Certificate of deposits	226,501	200,000
	\$ 417,292	\$ 477,735

Note 4: Contributions

During 2009, the Board of Trustees 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 2009 statement of revenue, expense, and changes in net assets as the Agreement allows the Foundation to exercise power to vary the terms of gifts under certain conditions.

Note 5: Estate Receivable

The Board of Trustees was named as a beneficiary of an estate that was settled in March 2010. Payment of the unrestricted estate gift was received in April 2010. Subsequent to that, the Board of Trustees approved the transfer of periodic amounts from the estate gift proceeds to the Fund/Foundation referred to at *Note 4*.

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 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.