

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

Accountants' Report and Financial Statements

December 31, 2009 and 2008

**Hospital District No. 6 of Harper County, Kansas**  
**(d/b/a Anthony Medical Center)**  
**December 31, 2009 and 2008**

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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, 2009 and 2008, 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, 2009 and 2008, 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 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

Kansas City, Missouri  
April 9, 2010

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

## Balance Sheets December 31, 2009 and 2008

### Assets

	2009	2008
<b>Current Assets</b>		
Cash and cash equivalents	\$ 88,619	\$ 40,744
Patient accounts receivable, net of allowance; 2009 – \$619,763, 2008 – \$585,800	764,297	1,213,427
Property and sales taxes receivable	556,283	559,809
Estimated amounts due from third-party payers	196,000	-
Supplies	149,007	258,946
Prepaid expenses and other	163,617	84,430
Total current assets	1,917,823	2,157,356
<b>Non-current Cash and Investments</b>		
Certificates of deposit	704,048	423,805
Restricted by donors for capital acquisitions	-	354
	704,048	424,159
<b>Capital Assets, Net</b>	2,274,654	2,120,614
<b>Total Assets</b>	\$ 4,896,525	\$ 4,702,129
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 207,121	\$ 161,983
Accounts payable	277,128	517,815
Accrued expenses	348,942	353,652
Estimated amounts due to third-party payers	-	190,000
Deferred property tax revenue	516,183	518,709
Total current liabilities	1,349,374	1,742,159
<b>Long-term Debt</b>	1,033,247	737,660
Total liabilities	2,382,621	2,479,819
<b>Net Assets</b>		
Invested in capital assets, net of related debt	1,034,286	1,220,971
Restricted – expendable for specific operating activities	-	354
Unrestricted	1,479,618	1,000,985
Total net assets	2,513,904	2,222,310
<b>Total Liabilities and Net Assets</b>	\$ 4,896,525	\$ 4,702,129

**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, 2009 and 2008**

	2009	2008
<b>Operating Revenues</b>		
Net patient service revenue before provision for bad debts	\$ 6,134,061	\$ 6,555,427
Provision for bad debts	(312,780)	(383,784)
Net patient service revenue	5,821,281	6,171,643
Other revenues	305,339	281,714
Total operating revenues	6,126,620	6,453,357
<b>Operating Expenses</b>		
Salaries and wages	3,699,865	3,825,194
Employee benefits	746,836	727,477
Purchased services and professional fees	289,135	325,523
Supplies and other		
Nursing	305,979	337,519
Other professional services	800,483	1,108,888
General services	320,786	376,821
Administrative services	336,327	331,229
Depreciation and amortization	336,701	312,931
Insurance	88,518	85,903
Total operating expenses	6,924,630	7,431,485
<b>Operating Loss</b>	(798,010)	(978,128)
<b>Nonoperating Revenues (Expenses)</b>		
Interest income	33,627	25,540
Gain/loss on disposal of assets	309,444	-
Interest expense	(74,338)	(52,529)
Property and sales tax appropriations	795,871	780,190
Total nonoperating revenues	1,064,604	753,201
<b>Excess of Revenues Over (Under) Expenses Before Capital Gifts</b>	266,594	(224,927)
<b>Gifts to Purchase Capital Assets</b>	25,000	61,120
<b>Increase (Decrease) in Net Assets</b>	291,594	(163,807)
<b>Net Assets, Beginning of the Year</b>	2,222,310	2,386,117
<b>Net Assets, End of the Year</b>	\$ 2,513,904	\$ 2,222,310

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

## Statements of Cash Flows Years Ended December 31, 2009 and 2008

	2009	2008
<b>Operating Activities</b>		
Receipts from and on behalf of patients	\$ 5,884,411	\$ 6,008,526
Payments to suppliers and contractors	(2,291,489)	(2,369,148)
Payments to employees	(4,451,411)	(4,543,173)
Other receipts (payments), net	306,339	283,600
Net cash used in operating activities	(552,150)	(620,195)
<b>Noncapital Financing Activities</b>		
Property and sales taxes supporting operations	795,871	780,190
Net cash provided by noncapital financing activities	795,871	780,190
<b>Capital and Related Financing Activities</b>		
Principal paid on capital lease obligations	(195,396)	(137,222)
Gift for capital purposes	25,000	61,120
Insurance proceeds received from involuntary conversion	376,500	-
Interest paid on capital lease obligations	(74,338)	(52,529)
Purchase of capital assets	(81,350)	(107,303)
Net cash provided by (used in) capital and related financing activities	50,416	(235,934)
<b>Investing Activities</b>		
Purchase of certificates of deposits	(280,243)	(17,232)
Interest on investments	33,627	25,540
Net cash provided by (used in) investing activities	(246,616)	8,308
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	47,521	(67,631)
<b>Cash and Cash Equivalents, Beginning of Year</b>	41,098	108,729
<b>Cash and Cash Equivalents, End of Year</b>	\$ 88,619	\$ 41,098
<b>Reconciliation of Cash and Cash Equivalents to the Balance Sheets</b>		
Cash and cash equivalents in current assets	\$ 88,619	\$ 40,744
Cash and cash equivalents in noncurrent cash and investments	-	354
	\$ 88,619	\$ 41,098

**Hospital District No. 6 of Harper County, Kansas  
(d/b/a Anthony Medical Center)  
Statements of Cash Flows (Continued)  
Years Ended December 31, 2009 and 2008**

	<b>2009</b>	<b>2008</b>
<b>Reconciliation of Net Operating Revenues (Expenses) to Net Cash Used in Operating Activities</b>		
Operating loss	\$ (798,010)	\$ (978,128)
Depreciation and amortization	336,701	312,931
Changes in operating assets and liabilities		
Receivables, net	449,130	(238,117)
Inventories	109,939	6,233
Prepaid expenses and other assets	(79,187)	(59,911)
Accounts payable and accrued liabilities	(184,723)	261,797
Estimated third-party payer settlements	(386,000)	75,000
Net cash used in operating activities	\$ (552,150)	\$ (620,195)
<b>Supplemental Cash Flow Information</b>		
Capital lease obligation incurred for property and equipment	\$ 536,121	\$ 151,280

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

## Notes to Financial Statements

December 31, 2009 and 2008

### 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, 2009 and 2008, cash equivalents consisted primarily of money market accounts and certificates of deposit.

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

## Notes to Financial Statements December 31, 2009 and 2008

### ***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 2009 and 2008 tax revenues are as follows:

	2009	2008
Property	\$ 636,362	\$ 616,622
Sales	159,509	163,568
	\$ 795,871	\$ 780,190

### ***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; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The Medical Center purchases medical malpractice insurance under a claims-made policy. Under such policy, only claims made and reported to the insurer are covered during the policy term, regardless of when the incident giving rise to the claim occurred.

Under Kansas law, the Kansas Insurance Department provides excess liability insurance through the Kansas Healthcare Stabilization Fund.

### ***Investments and Investment Income***

Investments in U.S. Treasury, agency and instrumentality obligations with a remaining maturity of one year or less at time of acquisition and in non-negotiable certificates of deposit are carried at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes interest income, realized gains and losses on investments carried at other than fair value and the net change for the year in the fair value of investments carried at fair value.

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

## Notes to Financial Statements

December 31, 2009 and 2008

### ***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.

### ***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 to 20 years
Buildings and leasehold improvements	5 to 40 years
Equipment	3 to 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 three 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.

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

## Notes to Financial Statements

December 31, 2009 and 2008

Restricted expendable net assets are noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the Medical Center. Unrestricted net assets are remaining assets less remaining liabilities that do not meet the definition of invested in capital assets, net of related debt or restricted expendable.

### ***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.

### ***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.

### ***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 has been designated as a Critical Access Hospital (CAH). Under this designation, the Medical Center is paid on a cost reimbursement methodology for most services. The Medical Center is reimbursed for certain services 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. Estimated settlements have been reflected in the accompanying financial statements.

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

## Notes to Financial Statements

December 31, 2009 and 2008

- **Medicaid.** Reimbursement for inpatient hospital services under the Medicaid Program is based upon a cost reimbursement methodology for inpatient and outpatient services. Reimbursements for services provided to Medicaid beneficiaries who are part of a Medicaid managed care network is based on a prospective payment methodology.

Approximately 78% and 69% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2009 and 2008, respectively.

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, 2009, \$279,331 of the Medical Center's bank balances of \$857,279 was exposed to custodial credit risk. At December 31, 2008, the Medical Center's bank balances of \$577,668 were not exposed to custodial credit risk.

	2009	2008
Uninsured and collateral held by pledging financial institution's agent in other than the Medical Center's name	\$ 279,331	\$ -
	\$ 279,331	\$ -

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

**Notes to Financial Statements  
December 31, 2009 and 2008**

***Summary of Carrying Values***

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

	<b>2009</b>	<b>2008</b>
Cash and cash equivalents	\$ 88,619	\$ 40,744
Certificates of deposit	704,048	423,805
Restricted by donors	-	354
	\$ 792,667	\$ 464,903

***Investment Income***

Investment income for the years ended December 31, 2009 and 2008 consisted of:

	<b>2009</b>	<b>2008</b>
Interest income	\$ 33,627	\$ 25,540

**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, 2009 and 2008 consisted of:

	<b>2009</b>	<b>2008</b>
Medicare	\$ 325,358	\$ 698,438
Medicaid	15,614	42,206
Other third-party payers	257,817	340,607
Patients	785,271	717,976
	1,384,060	1,799,227
Less allowance for uncollectible accounts	619,763	585,800
	\$ 764,297	\$ 1,213,427

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

## Notes to Financial Statements December 31, 2009 and 2008

### Note 5: Capital Assets

<u>2009</u>	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
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)	59,749
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>6,411,311</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)	(26)	-	-	(6,124)
	<u>(3,893,067)</u>	<u>(336,699)</u>	<u>93,109</u>	<u>-</u>	<u>(4,136,657)</u>
Capital Assets, Net	<u>\$ 2,120,614</u>	<u>\$ 212,098</u>	<u>\$ (58,059)</u>	<u>\$ -</u>	<u>\$ 2,274,654</u>
<u>2008</u>	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 5,104	\$ -	\$ -	\$ -	\$ 5,104
Land improvements	216,851	-	-	-	216,851
Buildings	2,658,151	71,618	-	45,912	2,775,681
Construction in process	69,465	99,514	-	(110,276)	58,703
Equipment – minor	106,189	-	-	-	106,189
Equipment – major	2,696,471	84,090	-	64,364	2,844,925
Leasehold improvements	6,228	-	-	-	6,228
	<u>5,758,459</u>	<u>255,222</u>	<u>-</u>	<u>-</u>	<u>6,013,681</u>
Less accumulated depreciation					
Land improvements	(76,651)	(13,849)	-	-	(90,500)
Buildings	(1,484,678)	(98,015)	-	-	(1,582,693)
Equipment – minor	(101,839)	(2,663)	-	-	(104,502)
Equipment – major	(1,910,896)	(198,378)	-	-	(2,109,274)
Leasehold improvements	(6,072)	(26)	-	-	(6,098)
	<u>(3,580,136)</u>	<u>(312,931)</u>	<u>-</u>	<u>-</u>	<u>(3,893,067)</u>
Capital Assets, Net	<u>\$ 2,178,323</u>	<u>\$ (57,709)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,120,614</u>

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

## Notes to Financial Statements December 31, 2009 and 2008

### Note 6: Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses included in current liabilities at December 31, 2009 and 2008 consisted of:

	2009	2008
Payable to suppliers	\$ 277,128	\$ 517,815
Payable to employees (including payroll taxes and benefits)	348,942	353,652
	\$ 626,070	\$ 871,467

### 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, 2009 and 2008:

	<u>2009</u>	Beginning Balance	Additions	Payments	Ending Balance	Current Portion
Long-term debt						
Capital lease obligations		\$ 899,643	\$ 536,121	\$ 195,396	\$ 1,240,368	\$ 207,121
Total long-term debt		\$ 899,643	\$ 536,121	\$ 195,396	\$ 1,240,368	\$ 207,121

	<u>2008</u>	Beginning Balance	Additions	Payments	Ending Balance	Current Portion
Long-term debt						
Capital lease obligations		\$ 885,585	\$ 151,280	\$ 137,222	\$ 899,643	\$ 161,983
Total long-term debt		\$ 885,585	\$ 151,280	\$ 137,222	\$ 899,643	\$ 161,983

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

## Notes to Financial Statements December 31, 2009 and 2008

### **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, 2009 and 2008, totaled \$1,539,777 and \$1,271,395, net of accumulated depreciation of \$532,524 and \$442,081, 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, 2009:

2010	\$ 285,887
2011	272,820
2012	184,529
2013	129,589
2014	89,178
2015-2019	442,779
2020-2024	265,946
Total minimum lease payments	1,670,728
Less amount representing interest	430,360
 Present value of future minimum lease payments	 \$ 1,240,368

### **Note 8: Restricted Net Assets**

At December 31, 2009 and 2008, restricted expendable net assets were available for the following purposes:

	2009	2008
Capital acquisitions	\$ -	\$ 354

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

## Notes to Financial Statements

December 31, 2009 and 2008

### Note 9: 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 5.54%, 5.31% and 4.81% of annual covered payroll for 2009, 2008 and 2007, respectively. The Medical Center's contributions to the plan for 2009, 2008 and 2007 were \$171,687, \$163,250 and \$141,159, 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%.

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

## Notes to Financial Statements December 31, 2009 and 2008

### Note 10: Hospital Foundation

Anthony Medical Center and Clinic Association Foundation is a not-for-profit corporation organized in 1992 for the purpose of supporting and promoting Hospital District No. 6 of Harper County, Kansas 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, 2009 and 2008 are summarized as follows:

	2009	2008
Investments	\$ 448,582	\$ 441,033
Net assets	\$ 448,582	\$ 441,033
Revenue	\$ 26,716	\$ 38,034
Expenses	34,857	88,721
Revenue over (under) expenses	\$ (8,141)	\$ (50,687)

Interest expense paid on promissory notes to the Foundation amounted to \$683 for 2008. There were no outstanding notes due to the Foundation at the end of 2009 and 2008.

The Foundation provided \$21,757 and \$83,118 of support to the Medical Center during the years ended December 31, 2009 and 2008, respectively.

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

## Notes to Financial Statements

December 31, 2009 and 2008

### Note 11: 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.

## **Supplementary Information**

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

**Budget to Actual Comparison  
Year Ended December 31, 2009**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under)</u>
Net Patient Service Revenue	\$ 5,884,411	\$ 6,628,290	\$ (743,879)
Other	<u>336,440</u>	<u>209,200</u>	<u>127,240</u>
Total Revenue	6,220,851	6,837,490	(616,639)
Operating Expenses, less Depreciation and Amortization Including Interest Expense	<u>6,817,238</u>	<u>8,045,139</u>	<u>(1,227,901)</u>
Operating Income (Loss) before Tax Support	<u>\$ (596,387)</u>	<u>\$ (1,207,649)</u>	<u>\$ 611,262</u>

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

**Schedule of Depository Coverage**

**December 31, 2009**

	<b>FDIC Coverage</b>	<b>Securities Pledged, Market Value</b>	<b>Total Coverage</b>	<b>Funds on Deposit</b>	<b>Funds at Risk</b>
<b>Bank of Kansas</b>					
Demand deposits	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ 133,337</u>	<u>\$ -</u>
Time deposits	<u>\$ 250,000</u>	<u>\$ 500,000</u>	<u>\$ 750,000</u>	<u>\$ 529,331</u>	<u>\$ -</u>
<b>Kanza Bank – Anthony</b>					
Demand deposits	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ 16,774</u>	<u>\$ -</u>
Time deposits	<u>\$ 250,000</u>	<u>\$ 70,000</u>	<u>\$ 320,000</u>	<u>\$ 177,837</u>	<u>\$ -</u>

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

## Schedule of Insurance Coverage

December 31, 2009

General Casualty Insurance Company	
February 18, 2009 – February 18, 2010	
Building #1	\$ 8,396,499
Building #2	317,500
Business Personal Property #1	1,573,100
Business Personal Property #2	50,000
Miscellaneous Policy Coverages	Various
KaMMCO	
Policy HPL0016898, January 1, 2009 – January 1, 2010	
Professional Liability – Hospital & Clinic	
Institutional – Each claim	200,000
Institutional – Aggregate	600,000
Personal Injury – Each claim	1,000,000
Personal Injury – Aggregate	3,000,000
Healthcare Stabilization Fund – Each incident	300,000
Healthcare Stabilization Fund – Aggregate	900,000
Miscellaneous Professional Employees	250,000
Miscellaneous Professional Employees	250,000
KaMMCO	
January 1, 2009 – January 1, 2010	
General Liability – Hospital & Clinic	
Personal Injury – Each claim	1,000,000
Personal Injury – Aggregate	3,000,000
Property Damage – Each claim	1,000,000
Property Damage – Aggregate	3,000,000
AIG	
January 5, 2009 – January 5, 2010	
Officers and Directors Liability and Employment Practices	
Each Loss	1,000,000
Aggregate	1,000,000
KaMMCO	
Policy MPL111002 January 1, 2009 – January 1, 2010	
Physician Liability	
Each Claim	200,000
Aggregate	600,000
Health Care Stabilization Fund – Each claim	300,000
Health Care Stabilization Fund – Aggregate	900,000
K.H.A. Workers' Compensation Fund	
Policy Certificate 65, January 1, 2009 – January 1, 2010	
Workers' Compensation	
Bodily Injury - Each accident	500,000
Bodily Injury - By disease - Each employee	500,000
Policy limit by disease	500,000

Policies expiring in January 2010 have been renewed for another one-year period with the above insurance companies.