

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

Accountants' Report and Financial Statements

December 31, 2010 and 2009



**Cheyenne County Hospital Board of Trustees' Fund**  
**A Component Unit of Cheyenne County, Kansas**  
**December 31, 2010 and 2009**

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## Independent Accountants' Report

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

We have audited the accompanying balance sheet of the Cheyenne County Hospital Board of Trustees' Fund, a component unit of Cheyenne County, Kansas, as of December 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. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Cheyenne County Hospital Board of Trustees' Fund as of and for the year ended December 31, 2009, were audited by other accountants whose report dated May 7, 2010, 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 Cheyenne County Hospital Board of Trustees' Fund as of December 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, LLP*

April 4, 2011

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

**Balance Sheets**

**December 31, 2010 and 2009**

	<b>2010</b>	<b>2009</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 301,573	\$ 353,242
Tax appropriations receivable	56,593	69,823
Total current assets	358,166	423,065
<b>Capital Assets - Land</b>	13,000	13,000
Total assets	\$ 371,166	\$ 436,065
 <b>Liabilities and Net Assets</b>		
<b>Net Assets</b>		
Invested in capital assets	\$ 13,000	\$ 13,000
Unrestricted	358,166	423,065
Total liabilities and net assets	\$ 371,166	\$ 436,065

**Cheyenne County Hospital Board of Trustees' Fund**  
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**Statements of Revenues, Expenses and Changes in Net Assets**  
**Years Ended December 31, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>Operating Revenues</b>		
Tax appropriations	\$ 532,647	\$ 488,943
<b>Operating Expenses</b>	<u>7,100</u>	<u>5,700</u>
<b>Operating Income</b>	<u>525,547</u>	<u>483,243</u>
<b>Nonoperating Revenues</b>		
Interest income	1,315	1,593
Noncapital gifts	14,432	25,860
Other	<u>1,000</u>	<u>-</u>
Total nonoperating revenues	<u>16,747</u>	<u>27,453</u>
<b>Excess of Revenues Over Expenses</b>	542,294	510,696
<b>Transfers to Hospital</b>	<u>(607,193)</u>	<u>(392,547)</u>
<b>Increase (Decrease) in Net Assets</b>	(64,899)	118,149
<b>Net Assets, Beginning of Year</b>	<u>436,065</u>	<u>317,916</u>
<b>Net Assets, End of Year</b>	<u>\$ 371,166</u>	<u>\$ 436,065</u>

**Cheyenne County Hospital Board of Trustees' Fund**  
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**Statements of Cash Flows**  
**Years Ended December 31, 2010 and 2009**

	<b>2010</b>	<b>2009</b>
<b>Operating Activities</b>		
Tax appropriations received	\$ 545,877	\$ 465,680
Cash paid to suppliers	(7,100)	(5,700)
Net cash provided by operating activities	538,777	459,980
<b>Noncapital Financing Activities</b>		
Transfers to hospital for operations	(602,867)	(339,841)
Noncapital gifts	14,432	25,860
Other	1,000	-
Net cash used in noncapital financing activities	(587,435)	(313,981)
<b>Capital and Related Financing Activities</b>		
Transfers to hospital for capital assets	(4,326)	(52,706)
<b>Investing Activities</b>		
Interest received	1,315	1,593
<b>Increase (Decrease) in Cash</b>	(51,669)	94,886
<b>Cash, Beginning of Year</b>	353,242	258,356
<b>Cash, End of Year</b>	\$ 301,573	\$ 353,242
<b>Reconciliation of Net Operating Revenues to Net Cash Provided by Operating Activities</b>		
Operating income	\$ 525,547	\$ 483,243
Changes in tax appropriations receivable	13,230	(23,263)
Net cash provided by operating activities	\$ 538,777	\$ 459,980

**Cheyenne County Hospital Board of Trustees' Fund**  
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**Notes to Financial Statements**  
**December 31, 2010 and 2009**

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

***Nature of Operations***

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 and is considered to be a component unit of Cheyenne County.

Great Plains of Cheyenne County, Inc. d/b/a Cheyenne County Hospital (GPC) 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' Fund 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 (principally county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include tax appropriations and exchange transactions. Interest income and noncapital gifts are included in nonoperating revenues.

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 December 31, 2010 and 2009.

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***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 each year. Revenue from property taxes is recognized in the year for which the taxes are assessed to the extent such taxes are collected and available for use.

***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.

***Reclassifications***

Certain reclassifications have been made to the 2009 financial statements to conform to the 2010 financial statement presentation. These reclassifications had no effect on the change in net assets.

***Subsequent Events***

Subsequent events have been evaluated through April 4, 2011, 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. The lease term 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 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 acceptable collateral having an aggregate value at least equal to the amount of the deposits.

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At December 31, 2010 and 2009, none of the Board of Trustees bank balances 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 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.