

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

Independent Accountants' Report and Financial Statements

December 31, 2011 and 2010



Cheyenne County Hospital Board of Trustees' Fund
A Component Unit of Cheyenne County, Kansas
December 31, 2011 and 2010

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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 sheets of the Cheyenne County Hospital Board of Trustees' Fund (Board of Trustees), a component unit of Cheyenne County, Kansas, as of December 31, 2011 and 2010, 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 Cheyenne County Hospital Board of Trustees' Fund as of December 31, 2011 and 2010, 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

April 6, 2012

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

Balance Sheets

December 31, 2011 and 2010

	2011	2010
Assets		
Current Assets		
Cash	\$ 160,453	\$ 301,573
Tax appropriations receivable	120,313	56,593
Total current assets	280,766	358,166
Capital Assets - Land		
Total assets	13,000	13,000
	\$ 293,766	\$ 371,166
 Net Assets		
Invested in capital assets	\$ 13,000	\$ 13,000
Unrestricted	280,766	358,166
Total net assets	\$ 293,766	\$ 371,166

Cheyenne County Hospital Board of Trustees' Fund
A Component Unit of Cheyenne County, Kansas
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended December 31, 2011 and 2010

	2011	2010
Operating Revenues		
Tax appropriations	\$ 575,487	\$ 532,647
Operating Expenses	7,600	7,100
Operating Income	567,887	525,547
Nonoperating Revenues (Expenses)		
Interest income	519	1,315
Noncapital gifts	5,295	14,432
Other income	103	1,000
Contributions to Hospital for operations	(647,552)	(602,867)
Total nonoperating revenues (expenses)	(641,635)	(586,120)
Deficiency of Revenues Over Expenses	(73,748)	(60,573)
Contributions to Hospital for Property and Equipment	(3,652)	(4,326)
Decrease in Net Assets	(77,400)	(64,899)
Net Assets, Beginning of Year	371,166	436,065
Net Assets, End of Year	\$ 293,766	\$ 371,166

Cheyenne County Hospital Board of Trustees' Fund
A Component Unit of Cheyenne County, Kansas
Statements of Cash Flows
Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating Activities		
Tax appropriations received	\$ 511,767	\$ 545,877
Cash paid to suppliers	<u>(7,600)</u>	<u>(7,100)</u>
Net cash provided by operating activities	<u>504,167</u>	<u>538,777</u>
Noncapital Financing Activities		
Contributions to Hospital for operations	(647,552)	(602,867)
Noncapital gifts	5,295	14,432
Other	<u>103</u>	<u>1,000</u>
Net cash used in noncapital financing activities	<u>(642,154)</u>	<u>(587,435)</u>
Capital and Related Financing Activities		
Contributions to Hospital for property and equipment	<u>(3,652)</u>	<u>(4,326)</u>
Investing Activities		
Interest received	<u>519</u>	<u>1,315</u>
Decrease in Cash	(141,120)	(51,669)
Cash, Beginning of Year	<u>301,573</u>	<u>353,242</u>
Cash, End of Year	<u>\$ 160,453</u>	<u>\$ 301,573</u>
Reconciliation of Net Operating Revenues to		
Net Cash Provided by Operating Activities		
Operating income	\$ 567,887	\$ 525,547
Changes in tax appropriations receivable	<u>(63,720)</u>	<u>13,230</u>
Net cash provided by operating activities	<u>\$ 504,167</u>	<u>\$ 538,777</u>

Cheyenne County Hospital Board of Trustees' Fund
A Component Unit of Cheyenne County, Kansas
Notes to Financial Statements
December 31, 2011 and 2010

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

Nature of Operations and Reporting Entity

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. The Board of Trustees is considered to be a component unit of Cheyenne County.

Great Plains of Cheyenne County, Inc. d/b/a Cheyenne County Hospital (GPC/Hospital) 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 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 are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include tax appropriations and exchange transactions. Interest income, noncapital gifts, other income 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 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, 2011 and 2010.

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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 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.

Reclassifications

Certain reclassifications have been made to the 2010 financial statements to conform to the 2011 financial statement presentation. These reclassifications had no effect on the change in net assets.

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 GPC for one dollar. In connection with this lease, Great Plains Health Alliance, the sole member of GPC, has a management agreement with GPC. The lease agreement 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 a 60-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.

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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.

At December 31, 2011 and 2010, 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 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 taxpayers to pay assessed taxes. Further, the effect of economic conditions on the government may have an adverse effect on cash flows.