

Board of Trustees of Ellinwood Hospital District
Independent Accountants' Report and Financial Statements
September 30, 2011 and 2010



Board of Trustees of Ellinwood Hospital District
September 30, 2011 and 2010

Contents

Independent Accountants' Report..... 1

Financial Statements

Balance Sheets..... 2

Statements of Revenues, Expenses and Changes in Net Assets..... 3

Statements of Cash Flows 4

Notes to Financial Statements 5

Independent Accountants' Report

Board of Trustees
Board of Trustees of Ellinwood Hospital District
Ellinwood, Kansas

We have audited the accompanying balance sheets of the Board of Trustees of Ellinwood Hospital District (Board of Trustees) as of September 30, 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 of Ellinwood Hospital District'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 Board of Trustees of Ellinwood Hospital District as of September 30, 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 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 10, 2012

Board of Trustees of Ellinwood Hospital District

Balance Sheets

September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Current Assets		
Cash	\$ 138,811	\$ 479,031
Property, At Cost (Net of Accumulated Depreciation of \$309,009 in 2011 and \$308,134 in 2010)	<u>6,449</u>	<u>7,324</u>
Total assets	<u>\$ 145,260</u>	<u>\$ 486,355</u>
Net Assets		
Invested in capital assets	\$ 6,449	\$ 7,324
Unrestricted	<u>138,811</u>	<u>479,031</u>
Total net assets	<u>\$ 145,260</u>	<u>\$ 486,355</u>

Board of Trustees of Ellinwood Hospital District
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended September 30, 2011 and 2010

	2011	2010
Operating Revenues		
Tax appropriations	\$ 738,813	\$ 650,620
Rent	6,923	6,755
Total operating revenues	745,736	657,375
Operating Expenses		
Utilities	5,792	5,604
Maintenance	3,375	3,064
Depreciation	875	874
Other	4,518	4,662
Total operating expenses	14,560	14,204
Operating Income	731,176	643,171
Nonoperating Revenues (Expenses)		
Interest income	36	196
Contribution to Hospital for operations	(1,072,307)	(296,782)
Total nonoperating revenues (expenses)	(1,072,271)	(296,586)
Excess (Deficiency) of Revenues Over Expenses	(341,095)	346,585
Contributions to Hospital for Property and Equipment	-	(22,297)
Increase (Decrease) in Net Assets	(341,095)	324,288
Net Assets, Beginning of Year	486,355	162,067
Net Assets, End of Year	\$ 145,260	\$ 486,355

Board of Trustees of Ellinwood Hospital District
Statements of Cash Flows
Years Ended September 30, 2011 and 2010

	2011	2010
Operating Activities		
Tax appropriations received	\$ 738,813	\$ 650,620
Cash received from others	6,923	6,755
Cash paid to suppliers and others	(13,685)	(13,330)
Net cash provided by operating activities	732,051	644,045
Noncapital Financing Activities		
Contributions to Hospital for operations	(1,072,307)	(296,782)
Capital and Related Financing Activities		
Contributions to Hospital for property and equipment	-	(22,297)
Investing Activities		
Interest received	36	196
Increase (Decrease) in Cash	(340,220)	325,162
Cash, Beginning of Year	479,031	153,869
Cash, End of Year	\$ 138,811	\$ 479,031
Reconciliation of Net Operating Revenues to Net Cash Provided By Operating Activities		
Operating income	\$ 731,176	\$ 643,171
Depreciation	875	874
Net cash provided by operating activities	\$ 732,051	\$ 644,045

Board of Trustees of Ellinwood Hospital District
Notes to Financial Statements
September 30, 2011 and 2010

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

Nature of Operations and Reporting Entity

The Board of Trustees of Ellinwood Hospital District (Board of Trustees), a political subdivision of the state of Kansas, was organized to operate a governmental hospital district and to control the use of tax appropriations. The Board of Trustees is governed by an elected board.

Great Plains of Ellinwood, Inc. (GPE/Hospital) is located in Ellinwood, Kansas and provides acute, skilled and intermediate care and clinic services. The operations of GPE are reported on separately from the Board of Trustees due to the lease of Hospital operations by GPE (*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 transactions take 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 to Hospital for operations are included in nonoperating revenues (expenses).

The Board of Trustees prepares its financial statements as a business-type activity in accordance with the 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 September 30, 2011 and 2010.

Board of Trustees of Ellinwood Hospital District

Notes to Financial Statements

September 30, 2011 and 2010

Capital Assets

Capital assets not fully depreciated consist of building additions that are being depreciated over a 40-year estimated useful life. The costs of maintenance and repairs are charged to operating expenses as incurred. The costs of significant additions, renewals and betterments to depreciable properties are capitalized and depreciated over the remaining or extended estimated useful lives of the item or the properties.

Tax Appropriations

Property taxes are assessed in November of one year 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 GPE for one dollar. In connection with this lease, Great Plains Health Alliance, the sole member of GPE, has a management agreement with GPE. The lease agreement provides that GPE 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.

Board of Trustees of Ellinwood Hospital District

Notes to Financial Statements

September 30, 2011 and 2010

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 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 September 30, 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 taxpayers to pay assessed taxes. Further, the effect of economic conditions on the government may have an adverse effect on cash flows.