

**Board of Trustees of Phillips County Hospital
A Component Unit of Phillips County, Kansas**

Accountants' Report and Financial Statements

March 31, 2011 and 2010



Board of Trustees of Phillips County Hospital
A Component Unit of Phillips County, Kansas
March 31, 2011 and 2010

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Independent Accountants' Report

Board of Trustees of Phillips County Hospital
Phillipsburg, Kansas

We have audited the accompanying balance sheets of the Board of Trustees of Phillips County Hospital, a component unit of Phillips County, Kansas, as of March 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. 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 audits 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 2010 financial statements referred to above present fairly, in all material respects, the financial position of Board of Trustees of Phillips County Hospital as of March 31, 2011 and 2010, and the changes in 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 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.

BKD, LLP

September 20, 2011

Board of Trustees of Phillips County Hospital
A Component Unit of Phillips County, Kansas
Balance Sheets
March 31, 2011 and 2010

	2011	2010
Assets		
Current Assets		
Cash	\$ 190,961	\$ 532,546
Short-term investments	279,500	279,500
Interest receivable	450	800
Mutual fund	-	64,033
	-	64,033
Total assets	\$ 470,911	\$ 876,879
Unrestricted Net Assets	\$ 470,911	\$ 876,879

Board of Trustees of Phillips County Hospital
A Component Unit of Phillips County, Kansas
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended March 31, 2011 and 2010

	2011	2010
Operating Revenues		
Tax appropriations	\$ 322,820	\$ 324,768
Operating Expenses	578	1,964
Operating Income	322,242	322,804
Nonoperating Revenues (Expenses)		
Interest income	5,697	8,275
Investment return	2,353	19,013
Noncapital gifts	1,862	3,630
Contribution to Hospital for operations	(712,222)	(119,400)
Total nonoperating revenues (expenses)	(702,310)	(88,482)
Excess (Deficiency) of Revenues Over Expenses	(380,068)	234,322
Contributions to Hospital for Property and Equipment	(25,900)	(90,000)
Increase (Decrease) in Net Assets	(405,968)	144,322
Net Assets, Beginning of Year	876,879	732,557
Net Assets, End of Year	\$ 470,911	\$ 876,879

Board of Trustees of Phillips County Hospital
A Component Unit of Phillips County, Kansas
Statements of Cash Flows
Years Ended March 31, 2011 and 2010

	2011	2010
Operating Activities		
Tax appropriations received	\$ 322,820	\$ 324,768
Cash paid to suppliers and others	(578)	(1,964)
Net cash provided by operating activities	322,242	322,804
Noncapital Financing Activities		
Contributions to Hospital for operations	(712,222)	(119,400)
Noncapital gifts received	1,862	3,630
Net cash used in noncapital financing activities	(710,360)	(115,770)
Capital and Related Financing Activities		
Contributions to Hospital for property and equipment	(25,900)	(90,000)
Net cash used in capital and related financing activities	(25,900)	(90,000)
Investing Activities		
Receipts from closing mutual fund	61,680	-
Investment income	10,753	8,615
Net cash provided by investing activities	72,433	8,615
Increase (Decrease) in Cash	(341,585)	125,649
Cash, Beginning of Year	532,546	406,897
Cash, End of Year	\$ 190,961	\$ 532,546
Reconciliation of Excess of Revenues Over Expenses to Net Cash Provided by Operating Activities		
Excess (deficiency) of revenues over expenses	\$ (380,068)	\$ 234,322
Interest income and investment return	(8,050)	(27,288)
Noncapital gifts	(1,862)	(3,630)
Contributions to Hospital for operations	712,222	119,400
Net cash provided by operating activities	\$ 322,242	\$ 322,804

Board of Trustees of Phillips County Hospital
A Component Unit of Phillips County, Kansas
Notes to Financial Statements
March 31, 2011 and 2010

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

Nature of Operations

The Board of Trustees of Phillips County Hospital (Board of Trustees) was organized to control the use of tax appropriations. The Board of Trustees is appointed by the County Commissioners of Phillips County and is considered to be a component unit of Phillips County.

Great Plains of Phillips County, Inc. d/b/a Phillips County Hospital (Hospital) provides acute, skilled, intermediate care and clinic services in Phillips County, Kansas. The operations of the Hospital are reported on separately from the Board of Trustees due to the lease of hospital operations by the Hospital.

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 reported 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, 2011 and 2010.

Board of Trustees of Phillips County Hospital
A Component Unit of Phillips County, Kansas
Notes to Financial Statements
March 31, 2011 and 2010

Tax Appropriations

The Board of Trustees receives tax appropriations (property) from Phillips 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 from which the taxes are assessed to the extent such taxes are collected and available for use.

Subsequent Events

Subsequent events have been evaluated through September 20, 2011, which is the date the financial statements were available to be issued.

Note 2: Lease and Management Agreement

The Board of Trustees has entered into a lease agreement to lease the hospital facilities to the Hospital. The lease agreement provides that the Hospital will assume and continue the operations of the Hospital and to maintain all property and equipment in good condition. The lease term is through December 2011 with an option to renew for a term that is mutually acceptable to the Board of Trustees and the Hospital. Either party has a right to terminate the lease with 90 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 district 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.

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.

Board of Trustees of Phillips County Hospital
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Notes to Financial Statements
March 31, 2011 and 2010

At March 31, 2011 and 2010, respectively, \$50,461 and \$392,046 of the Board of Trustees' bank balances of \$470,461 and \$812,046 were exposed to custodial credit risk as follows:

	2011	2010
Insured (FDIC)	\$ 420,000	\$ 420,000
Collateralized by securities held on behalf of the pledging financial institution in the Board of the Trustees' name	50,461	392,046
Total	\$ 470,461	\$ 812,046
Carrying amount	\$ 470,461	\$ 812,046

Note 4: Investments

The mutual fund investment was received as a donation by the Board of Trustees in 2001. The gift agreement required the mutual fund investment to remain intact for a specified period of time. The time restriction was met in 2006. The mutual fund investment is carried at fair value.

Note 5: 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.