

FINANCIAL STATEMENTS AND REPORT OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
MITCHELL COUNTY HOSPITAL HEALTH SYSTEMS  
MARCH 31, 2018 AND 2017

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees  
Mitchell County Hospital Health Systems

We have audited the accompanying financial statements of Mitchell County Hospital Health Systems (the Health System), a component unit of Mitchell County, Kansas, as of and for the years ended March 31, 2018 and 2017, and the related notes to the financial statements which collectively comprise the Health System's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express our 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of Mitchell County Hospital Health Systems as of March 31, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note A to the financial statements, in 2018 the Health System adopted Governmental Accounting Standards Board (GASB) Statement No. 80, "Blending Requirements for Certain Component Units." Our opinion is not modified with respect to this matter.

### **Other Matters**

The Health System has omitted 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 financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

*Wendling Roe Nelson & Johnson LLC*  
Topeka, Kansas  
September 12, 2018



FINANCIAL STATEMENTS

## MITCHELL COUNTY HOSPITAL HEALTH SYSTEMS

## STATEMENTS OF NET POSITION

March 31,

## ASSETS

	<u>2018</u>	<u>2017</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,994,078	\$ 3,541,646
Investments	4,445,912	3,936,296
Assets limited as to use	370,995	1,011,044
Patient accounts receivable, net of allowance for uncollectible accounts of \$975,343 in 2018 and \$818,474 in 2017	4,748,581	3,479,037
Estimated third-party payor settlements	307,327	
Other receivables	7,731	61,231
Inventories	556,344	501,834
Prepaid expenses	477,700	311,626
<b>Total current assets</b>	<u>13,908,668</u>	<u>12,842,714</u>
<b>ASSETS LIMITED AS TO USE</b>		
Internally designated		
For capital assets	5,183,897	6,541,398
For self-funded employee health insurance	349,228	432,517
Under bond agreements	1,054,856	5,325,798
By contributors		
For specific operating activities	48,904	73,567
For capital asset acquisitions	100,700	6,353
	6,737,585	12,379,633
Less amounts required to meet current obligations	<u>370,995</u>	<u>1,011,044</u>
<b>Total assets limited as to use</b>	<u>6,366,590</u>	<u>11,368,589</u>
<b>CAPITAL ASSETS, NET</b>	<u>10,554,528</u>	<u>11,993,509</u>
<b>OTHER ASSETS</b>		
Prepaid expenses	996,146	530,748
<b>Total other assets</b>	<u>996,146</u>	<u>530,748</u>
<b>Total assets</b>	<u>\$ 31,825,932</u>	<u>\$ 36,735,560</u>

The accompanying notes are an integral part of these statements.

# LIABILITIES AND NET POSITION

	<u>2018</u>	<u>2017</u>
CURRENT LIABILITIES		
Current maturities of long-term obligations	\$ 780,000	\$ 730,000
Accounts payable	562,775	417,151
Estimated third-party payor settlements	20,000	258,899
Accrued salaries and benefits	1,185,563	1,208,667
Accrued compensated absences	875,354	898,243
Accrued interest payable	20,158	36,172
Other current liabilities	<u>147,885</u>	<u>147,885</u>
Total current liabilities	3,591,735	3,697,017
LONG-TERM OBLIGATIONS, less current maturities	<u>7,654,373</u>	<u>12,512,335</u>
Total liabilities	<u>11,246,108</u>	<u>16,209,352</u>
NET POSITION		
Net investment in capital assets	2,120,155	2,875,951
Restricted		
For debt service	1,054,856	1,201,022
For specific operating activities	48,904	73,567
For capital asset acquisitions	100,700	6,353
Unrestricted	<u>17,255,209</u>	<u>16,369,315</u>
Total net position	<u>20,579,824</u>	<u>20,526,208</u>
Total liabilities and net position	<u>\$ 31,825,932</u>	<u>\$ 36,735,560</u>

MITCHELL COUNTY HOSPITAL HEALTH SYSTEMS  
STATEMENTS OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION  
Year ended March 31,

	<u>2018</u>	<u>2017</u>
Operating revenues		
Net patient service revenue	\$ 24,624,857	\$ 24,009,679
Electronic health record incentives		110,505
Other	<u>556,140</u>	<u>462,896</u>
Total operating revenues	<u>25,180,997</u>	<u>24,583,080</u>
Operating expenses		
Salaries and wages	11,762,856	11,588,461
Employee benefits	2,678,073	2,584,228
Supplies and other expenses	9,570,883	9,125,470
Depreciation and amortization	<u>1,723,477</u>	<u>1,812,674</u>
Total operating expenses	<u>25,735,289</u>	<u>25,110,833</u>
Operating loss	<u>(554,292)</u>	<u>(527,753)</u>
Nonoperating revenues and expenses		
County tax appropriations	175,060	161,592
Investment income	732,738	575,938
Interest expense	(361,881)	(371,233)
Loss on extinguishment of debt	(36,233)	
Noncapital grants and contributions	58,052	89,165
Other	<u>(80,044)</u>	<u>(7,476)</u>
Total nonoperating revenues and expenses	<u>487,692</u>	<u>447,986</u>
Excess of expenses over revenues before capital grants and contributions	(66,600)	(79,767)
Capital grants and contributions	<u>120,216</u>	<u>141,571</u>
Change in net position	<u>53,616</u>	<u>61,804</u>
Net position at beginning of year		
As previously reported	16,509,825	16,956,433
Prior period adjustment for change in reporting entity	<u>4,016,383</u>	<u>3,507,971</u>
As restated	<u>20,526,208</u>	<u>20,464,404</u>
Net position end of year	<u>\$ 20,579,824</u>	<u>\$ 20,526,208</u>

The accompanying notes are an integral part of these statements.

MITCHELL COUNTY HOSPITAL HEALTH SYSTEMS

STATEMENTS OF CASH FLOWS

Year ended March 31,

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Receipts from and on behalf of patients	\$ 22,809,087	\$ 24,406,994
Payments to or on behalf of employees	(14,486,854)	(14,197,394)
Payments for supplies and services	(10,139,271)	(9,576,776)
Other receipts and payments	<u>609,572</u>	<u>759,800</u>
Net cash provided (used) by operating activities	<u>(1,207,466)</u>	<u>1,392,624</u>
Cash flows from noncapital financing activities		
County tax appropriations	175,060	161,592
Noncapital grants and contributions	<u>58,052</u>	<u>89,165</u>
Net cash provided by noncapital financing activities	<u>233,112</u>	<u>250,757</u>
Cash flows from capital and related financing activities		
Acquisition of capital assets	(366,217)	(435,691)
Issuance of long-term debt		4,123,357
Repayments of long-term obligations	(730,000)	(760,202)
Payment to extinguish debt	(4,030,000)	
Interest paid	(434,060)	(405,418)
Capital grants and contributions	25,869	141,001
Proceeds from sale of capital assets	<u>1,677</u>	<u>58,448</u>
Net cash provided (used) by capital and related financing activities	<u>(5,532,731)</u>	<u>2,721,495</u>
Cash flows from investing activities		
Changes in		
Assets held under bond agreements	4,124,776	(4,124,776)
Investments	(50,178)	(27,986)
Investment income received	<u>274,970</u>	<u>173,734</u>
Net cash provided (used) by investing activities	<u>4,349,568</u>	<u>(3,979,028)</u>
Net change in cash and cash equivalents	(2,157,517)	385,848
Cash and cash equivalents at beginning of year	<u>11,786,419</u>	<u>11,400,571</u>
Cash and cash equivalents at end of year	<u>\$ 9,628,902</u>	<u>\$ 11,786,419</u>

The accompanying notes are an integral part of these statements.

MITCHELL COUNTY HOSPITAL HEALTH SYSTEMS

STATEMENTS OF CASH FLOWS - CONTINUED

Year ended March 31,

	<u>2018</u>	<u>2017</u>
Reconciliation of cash and cash equivalents		
Cash and cash equivalents	\$ 2,994,078	\$ 3,541,646
Cash included in assets limited as to use		
Internally designated capital assets	5,181,900	6,539,439
Internally designated for self-funded		
employee health insurance	349,228	432,517
Under bond agreements	1,054,792	1,199,250
By contributors		
For specific operating activities	<u>48,904</u>	<u>73,567</u>
Total cash and cash equivalents	<u>\$ 9,628,902</u>	<u>\$ 11,786,419</u>
Reconciliation of operating loss to net		
cash provided (used) by operating		
activities		
Operating loss	\$ (554,292)	\$ (527,753)
Adjustments to reconcile operating		
loss to net cash provided (used)		
by operating activities		
Depreciation and amortization	1,723,477	1,812,674
Provision for bad debts	1,100,000	1,361,000
Changes in		
Patient accounts receivable	(2,369,544)	(1,420,865)
Other receivables	53,500	151,053
Estimated third-party payor settlements	(546,226)	457,180
Inventories	(54,510)	(28,080)
Prepaid expenses	(659,502)	(472,370)
Accounts payable and accrued expenses	<u>99,631</u>	<u>59,785</u>
Net cash provided (used) by		
operating activities	<u>\$ (1,207,466)</u>	<u>\$ 1,392,624</u>

The accompanying notes are an integral part of these statements.

MITCHELL COUNTY HOSPITAL HEALTH SYSTEMS

NOTES TO FINANCIAL STATEMENTS

March 31, 2018 and 2017

NOTE A - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES

1. Reporting entity

Mitchell County Hospital Health Systems (the Health System) is owned by Mitchell County, Kansas (the County), and governed by a seven-member Board of Trustees appointed by the Board of County Commissioners of the County. The Health System is located in Beloit, Kansas, and provides acute care, swing-bed, geropsychiatric, skilled nursing, and long-term care services. The Health System can sue and be sued and can buy, sell, or lease real property. Bond issuances must be approved by the County. The Health System is a component unit of the County.

The component unit discussed in Note A2 is included in the Health System's reporting entity because of the nature and significance of its relationship with the Health System.

2. Component unit

Mitchell County Community Hospital Endowment Fund (the Endowment Fund) is a legally separate not-for-profit membership corporation organized to endow the Mitchell County Community Hospital and its successors and to otherwise provide charitable support of health care, hospital, and related services in Mitchell County, Kansas. The sole member of the Endowment Fund is the Health System. The Endowment Fund is governed by a five-member Board of Directors, of which two members are also members of the Health System's Board of Trustees, and the other three members are the members of the Endowment Management Committee (the Committee). The day-to-day operating and investing decisions of the Endowment Fund are carried out by the Committee. Members of the Committee are appointed by the Board of County Commissioners of the County. Principal distributions from the Endowment Fund can only be made with approval of all members of the Committee and a majority of the Board of Directors. The Endowment Fund's bylaws restrict principal distributions to 10 percent of unrestricted net position in one calendar year and 30 percent of unrestricted net position in any period of ten consecutive calendar years.

The Health System includes the Endowment Fund as a component unit in its financial statements using the blended method. All significant intercompany accounts and transactions have been eliminated in the accompanying financial statements.

Financial data of the Endowment Fund are presented as of December 31, 2017 and 2016, and for the years then ended.

3. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 these estimates.

MITCHELL COUNTY HOSPITAL HEALTH SYSTEMS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
March 31, 2018 and 2017

NOTE A - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES - Continued

4. Basis of accounting

The Health System uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

5. Cash and cash equivalents

The Health System considers all cash and invested cash to be cash equivalents, excluding any items classified as investments by the Endowment Fund. This represents an accounting policy change since previously none of the assets limited as to use were considered to be cash equivalents. Comparative financial statements of prior years have been restated to reflect this change. This restatement had no effect on previously reported net position or the change in net position of the Health System.

6. Allowance for uncollectible accounts

The Health System provides for accounts receivable that could become uncollectible in the future by establishing an allowance to reduce the carrying value of such receivables to their estimated net realizable value. The Health System estimates this allowance based on the aging of its accounts receivable and its historical collection experience for each type of payor.

7. Inventories

Inventories are stated at cost as determined using the first-in, first-out method.

8. Investments and investment income

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value based upon quoted prices in active markets for identical assets. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in nonoperating revenue when earned.

9. Assets limited as to use

Assets limited as to use include assets set aside by the Board of Trustees under a self-insurance arrangement for employee health insurance and for replacement of capital assets or for purchase of additional capital assets, over which the Board retains control and may, at its discretion, subsequently use for other purposes; assets whose use is limited under bond agreements; and assets restricted by contributors for a particular purpose. Amounts that are required for obligations classified as current liabilities are reported in current assets.

10. Capital assets

Capital assets (including assets recorded as capital leases) are stated at cost. Depreciation and amortization of capital assets are provided on the straight-line method over the estimated useful lives of the assets which are substantially in conformity with the guidelines established by the American Hospital Association.



MITCHELL COUNTY HOSPITAL HEALTH SYSTEMS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
March 31, 2018 and 2017

NOTE A - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES - Continued

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 useful lives of the item or the properties. Gains and losses on disposition of capital assets are included in nonoperating revenues and expenses.

11. Costs of borrowing

Interest costs (including amortization of bond premiums and discounts) incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets. Original issue premiums and discounts associated with issuance of long-term debt are amortized using the interest method over the term of the related debt. Costs incurred to issue long-term debt are expensed in the period incurred.

12. Estimated health insurance claims payable

The Health System is self-insured for health insurance claims of its employees. Management estimates the net liability for reported and unreported claims incurred as of the end of each reporting period. These estimates are based on known claims and historical claims experience.

Management believes that estimates for health insurance claims payable are reasonable. However, it is possible that actual incurred claims expense may vary significantly from the estimate included in the accompanying financial statements.

13. Grants and contributions

From time to time, the Health System receives grants and contributions from individuals and private organizations. Revenues from grants and contributions, including contributions of capital assets, are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

14. Restricted resources

When the Health System has both restricted and unrestricted resources available to finance a particular program, it is the Health System's policy to use restricted resources before unrestricted resources.

15. Net position

Net position of the Health System is classified in three components. "Net investment in capital assets" consists of capital assets net of accumulated depreciation reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets. "Restricted net position" is noncapital net position that must be used for a particular

MITCHELL COUNTY HOSPITAL HEALTH SYSTEMS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
March 31, 2018 and 2017

NOTE A - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES - Continued

purpose, as specified by creditors, grantors, or contributors external to the Health System, including amounts deposited with trustees as required by bond agreements. "Unrestricted net position" is the remaining net position that does not meet the definitions of the other two components of net position.

16. Operating revenues and expenses

The Health System's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, which is the Health System's principal activity. Nonexchange revenues, including noncapital grants and contributions and the county tax appropriations, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

17. Net patient service revenue

Net patient service revenue is reported at established charges with deductions for discounts, charity care, contractual adjustments, and provision for bad debts, including estimated retroactive adjustments under reimbursement agreements with third-party payors. 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.

18. Charity care

The Health System provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Health System does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

19. Income taxes

The Health System is exempt from federal income taxes pursuant to Sections 115 and 501(a) of the Internal Revenue Code.

The Endowment Fund is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on its related income pursuant to Section 501(a) of the Code.

20. Subsequent events

The Health System has evaluated subsequent events through September 12, 2018, which is the date the financial statements were available to be issued.

21. Adoption of accounting pronouncement

In 2018 the Health System adopted Governmental Accounting Standards Board (GASB) Statement No. 80, "Blending Requirements for Certain Component Units," which revised accounting and reporting standards related to component units. Comparative financial statements for prior years have

MITCHELL COUNTY HOSPITAL HEALTH SYSTEMS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
March 31, 2018 and 2017

NOTE A - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES - Continued

been adjusted to apply this standard retrospectively. An adjustment of \$3,507,971 applicable to 2016 and prior years has been included in the restated 2017 beginning net position balance of the Health System to recognize the net position of the Endowment Fund. This restatement increased the previously reported change in net position of the Health System by \$508,412 for the year ended March 31, 2017, as a result of recognizing the Endowment Fund's activity.

NOTE B - NET PATIENT SERVICE REVENUE

The Health System has agreements with third-party payors that provide for payments to it at amounts different from its established charge rates. The amounts reported on the statements of net position as estimated third-party payor settlements consist of the estimated differences between the contractual amounts for providing covered services and the interim payments received for those services. A summary of the payment arrangements with major third-party payors follows:

Medicare - The Health System is a critical access hospital for purposes of the Medicare program. Hospital services rendered to Medicare beneficiaries are paid under cost reimbursement methodologies. Inpatient geropsychiatric services rendered to Medicare beneficiaries are paid at prospectively determined rates per day. Skilled nursing services rendered to Medicare beneficiaries in the Health System's long-term care unit are paid at prospectively determined rates per day. The Health System is paid for cost reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by the Health System and audits or reviews thereof by the Medicare administrative contractor. The Health System's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. The Health System's Medicare cost reports have been audited or reviewed by the Medicare administrative contractor through March 31, 2017.

Medicaid - Hospital and inpatient geropsychiatric services rendered to all Medicaid beneficiaries are paid at prospectively determined rates. Nursing facility services are paid at prospectively determined per diem rates set annually on the basis of cost information supplied by nursing facilities for preceding calendar years.

Blue Cross and Blue Shield - All services rendered to patients who are insured by Blue Cross and Blue Shield are paid on the basis of prospectively determined rates per discharge or discounts from established charges.

The Health System has also entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to the Health System under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

MITCHELL COUNTY HOSPITAL HEALTH SYSTEMS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
March 31, 2018 and 2017

NOTE B - NET PATIENT SERVICE REVENUE - Continued

A summary of gross and net patient service revenue follows:

	<u>2018</u>	<u>2017</u>
Gross patient service revenue	\$ 46,259,118	\$ 46,044,213
Contractual adjustments	(20,211,345)	(20,433,793)
Provision for bad debts	(1,100,000)	(1,361,000)
Charity care	<u>(322,916)</u>	<u>(239,741)</u>
Net patient service revenue	<u>\$ 24,624,857</u>	<u>\$ 24,009,679</u>

Revenue from the Medicare and Medicaid programs accounted for approximately 63 percent and 7 percent, respectively, of the Health System's net patient service revenue during 2018, and 60 percent and 6 percent, respectively, of the Health System's net patient service revenue during 2017. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

NOTE C - ELECTRONIC HEALTH RECORD INCENTIVES

The American Recovery and Reinvestment Act of 2009 (ARRA) provides for incentive payments under the Medicare and Medicaid programs for certain hospitals and physician practices that demonstrate meaningful use of certified electronic health record (EHR) technology. These provisions of ARRA are intended to promote the adoption and meaningful use of interoperable health information technology and qualified EHR technology.

The Health System recognizes revenue for EHR incentives when it has attested that it has demonstrated meaningful use of certified EHR technology for the applicable period and has complied with the reporting conditions to receive the payments. The demonstration of meaningful use is based upon meeting a series of objectives and varies between hospital facilities and physician practices and between the Medicare and Medicaid programs. Additionally, meeting the series of objectives in order to demonstrate meaningful use becomes progressively more stringent as its implementation is phased in through stages as outlined by CMS. The Health System recognized \$110,505 of revenue for EHR incentives during the year ended March 31, 2017.

The Health System incurs both capital expenditures and operating expenses in connection with the implementation of its EHR initiatives. The amounts and timing of these expenditures do not directly correlate with the timing of the Health System's recognition of EHR incentives as revenue.

NOTE D - DEPOSITS WITH FINANCIAL INSTITUTIONS

Kansas statutes authorize the Health System, with certain restrictions, to deposit or invest in open accounts, time deposits, certificates of deposit, repurchase agreements, U.S. Treasury bills and notes, and the State Treasurer's investment pool. Kansas statutes also require that collateral be pledged for bank deposits with a fair value equal to 100 percent of the uninsured amounts and must be assigned for the benefit of the Health System.

MITCHELL COUNTY HOSPITAL HEALTH SYSTEMS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
March 31, 2018 and 2017

NOTE D - DEPOSITS WITH FINANCIAL INSTITUTIONS - Continued

At March 31, 2018, the carrying amount of the Health System's bank deposits (excluding those of the Endowment Fund), including certificates of deposit, was \$9,489,303 and the bank balances were \$9,560,749. Of the bank balances, \$3,674,476 was covered by federal depository insurance and \$5,886,273 was covered by collateral held by a third-party bank, but not registered in the Health System's name.

The Health System's bank deposits are included in the financial statements under the following categories:

Cash and cash equivalents	\$ 2,854,479
Assets limited as to use	
Internally designated	
For capital assets	5,181,900
For self-funded employee health insurance	349,228
Under bond agreements	1,054,792
By contributors	48,904
	<u>\$ 9,489,303</u>

NOTE E - ASSETS LIMITED AS TO USE

The composition of assets limited as to use is as follows:

	<u>2018</u>	<u>2017</u>
Internally designated for capital assets		
Cash	\$ 1,836,035	\$ 2,699,037
Certificates of deposit	3,345,865	3,840,402
Accrued interest receivable	1,997	1,959
	<u>\$ 5,183,897</u>	<u>\$ 6,541,398</u>
Internally designated for self-funded employee health insurance		
Cash	<u>\$ 349,228</u>	<u>\$ 432,517</u>
Under bond agreements		
Cash	\$ 158,542	\$ 154,245
Certificates of deposit	896,250	1,045,005
Accrued interest receivable	64	1,772
U.S. Government obligations	<u>                    </u>	<u>4,124,776</u>
	<u>\$ 1,054,856</u>	<u>\$ 5,325,798</u>

MITCHELL COUNTY HOSPITAL HEALTH SYSTEMS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
March 31, 2018 and 2017

NOTE E - ASSETS LIMITED AS TO USE - Continued

	<u>2018</u>	<u>2017</u>
By contributors for specific operating activities		
Cash	\$ 37,453	\$ 62,179
Certificates of deposit	<u>11,451</u>	<u>11,388</u>
	<u>\$ 48,904</u>	<u>\$ 73,567</u>
By contributors for capital asset acquisitions		
Cash held by Mitchell County		
Regional Medical Foundation	\$ 65,269	\$ 4,013
Pledges receivable	<u>35,431</u>	<u>2,340</u>
	<u>\$ 100,700</u>	<u>\$ 6,353</u>

NOTE F - INVESTMENTS

The Endowment Fund's investments are stated at fair value based upon quoted prices in active markets for identical assets. The composition of its investments is as follows:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 9,842	\$ -
Common stocks	2,439,494	2,279,675
Mutual funds (equity and fixed income)	<u>1,996,576</u>	<u>1,656,621</u>
	<u>\$ 4,445,912</u>	<u>\$ 3,936,296</u>

MITCHELL COUNTY HOSPITAL HEALTH SYSTEMS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
March 31, 2018 and 2017

NOTE G - CAPITAL ASSETS

Capital asset additions, retirements, and balances are as follows:

	2018			
	<u>Beginning balance</u>	<u>Transfers and additions</u>	<u>Retirements</u>	<u>Ending balance</u>
Land	\$ 42,774	\$ -	\$ -	\$ 42,774
Land improvements	698,551			698,551
Buildings	20,037,413	6,741		20,044,154
Fixed equipment	5,375,078			5,375,078
Major movable equipment	13,394,642	332,815	8,749	13,718,708
Totals at historical cost	<u>39,548,458</u>	<u>339,556</u>	<u>8,749</u>	<u>39,879,265</u>
Less accumulated depreciation and amortization				
Land improvements	510,981	30,508		541,489
Buildings	10,706,993	949,661		11,656,654
Fixed equipment	4,792,939	174,896		4,967,835
Major movable equipment	11,663,283	568,412	7,072	12,224,623
	<u>27,674,196</u>	<u>1,723,477</u>	<u>7,072</u>	<u>29,390,601</u>
	11,874,262	(1,383,921)	1,677	10,488,664
Construction in progress	<u>119,247</u>	<u>26,661</u>	<u>80,044</u>	<u>65,864</u>
Capital assets, net	<u>\$11,993,509</u>	<u>\$ (1,357,260)</u>	<u>\$ 81,721</u>	<u>\$10,554,528</u>

  

	2017			
	<u>Beginning balance</u>	<u>Transfers and additions</u>	<u>Retirements</u>	<u>Ending balance</u>
Land	\$ 42,774	\$ -	\$ -	\$ 42,774
Land improvements	689,696	8,855		698,551
Buildings	19,995,526	41,887		20,037,413
Fixed equipment	5,375,078			5,375,078
Major movable equipment	13,012,224	382,418		13,394,642
Totals at historical cost	<u>39,115,298</u>	<u>433,160</u>	<u>-</u>	<u>39,548,458</u>
Less accumulated depreciation and amortization				
Land improvements	477,378	33,603		510,981
Buildings	9,756,483	950,510		10,706,993
Fixed equipment	4,617,279	175,660		4,792,939
Major movable equipment	11,010,382	652,901		11,663,283
	<u>25,861,522</u>	<u>1,812,674</u>	<u>-</u>	<u>27,674,196</u>
	13,253,776	(1,379,514)	-	11,874,262
Construction in progress	<u>182,640</u>	<u>(63,393)</u>		<u>119,247</u>
Capital assets, net	<u>\$13,436,416</u>	<u>\$ (1,442,907)</u>	<u>\$ -</u>	<u>\$11,993,509</u>



MITCHELL COUNTY HOSPITAL HEALTH SYSTEMS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
March 31, 2018 and 2017

NOTE H - EMPLOYEE HEALTH INSURANCE

The Health System sponsors a self-insured employee health insurance plan. The Health System reinsures a portion of its risk under that plan. The reinsurance arrangement generally covers claims totaling over \$100,000 for each covered individual on an annual basis. The reinsurance arrangement also covers aggregate annual claims of the plan in excess of an amount determined in relation to the number of individuals participating in the plan during the plan year. Covered employees also provide part of the funds to pay claims through monthly contributions at predetermined rates.

The Health System has retained an agent to process and settle claims. The following is a summary of the activity under this arrangement:

	<u>2018</u>	<u>2017</u>
Estimated net health insurance claims payable at beginning of year	\$ 182,693	\$ 302,000
Provision for the Health System's share of incurred claims and related expenses for the year, net of any reinsurance proceeds	1,156,936	1,056,589
Participant contributions	561,082	507,266
Payments made for claims and related expenses	<u>(1,739,089)</u>	<u>(1,683,162)</u>
Estimated net health insurance claims payable at end of year	<u>\$ 161,622</u>	<u>\$ 182,693</u>
Estimated employee health insurance claims payable at end of year (included in accrued salaries and benefits)	<u>\$ 161,622</u>	<u>\$ 182,693</u>



MITCHELL COUNTY HOSPITAL HEALTH SYSTEMS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
March 31, 2018 and 2017

NOTE I - LONG-TERM OBLIGATIONS

Long-term obligations are summarized as follows:

	<u>2018</u>	<u>2017</u>
3.00% - 4.60% Mitchell County, Kansas Public Building Commission Refunding Revenue Bonds, Series 2009; issued on April 15, 2009, in the original amount of \$6,345,000; net of unamortized discount of \$9,409 in 2017	\$ -	\$ 4,305,591
2.00% - 3.75% Mitchell County, Kansas Public Building Commission Refunding Revenue Bonds, Series 2014; issued on June 10, 2014, in the original amount of \$6,015,000; due serially through March 1, 2029; net of unamortized premium of \$90,247 in 2018 and \$106,080 in 2017	4,380,247	4,841,080
3.00% Mitchell County, Kansas Public Building Commission Refunding Revenue Bonds, Series 2016; issued on August 1, 2016, in the original amount of \$3,815,000; due serially through March 1, 2029; net of unamortized premium of \$239,126 in 2018 and \$280,664 in 2017	<u>4,054,126</u>	<u>4,095,664</u>
	8,434,373	13,242,335
Less current maturities	<u>780,000</u>	<u>730,000</u>
Long-term obligations net of current maturities	<u>\$ 7,654,373</u>	<u>\$ 12,512,335</u>

MITCHELL COUNTY HOSPITAL HEALTH SYSTEMS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
March 31, 2018 and 2017

NOTE I - LONG-TERM OBLIGATIONS - Continued

The following is a summary of changes in long-term obligations:

	<u>Capital lease obligations</u>	<u>Hospital revenue bonds</u>	<u>Total long-term obligations</u>
Outstanding at April 1, 2016	\$ 45,202	\$ 9,875,855	\$ 9,921,057
Obligations incurred		4,123,357	4,123,357
Principal payments	(45,202)	(715,000)	(760,202)
Amortization of bond discount		1,271	1,271
Amortization of bond premium		(43,148)	(43,148)
Outstanding at March 31, 2017	-	13,242,335	13,242,335
Principal payments		(730,000)	(730,000)
Debt extinguished		(4,021,797)	(4,021,797)
Amortization of bond discount		1,207	1,207
Amortization of bond premium		(57,372)	(57,372)
Outstanding at March 31, 2018	<u>\$ -</u>	<u>\$ 8,434,373</u>	<u>\$ 8,434,373</u>

On September 1, 2002, the Mitchell County, Kansas, Public Building Commission (PBC) issued its Revenue Bonds, Series 2002 (the 2002 Bonds), in the amount of \$8,000,000, on behalf of the Health System pursuant to a bond resolution dated August 19, 2002. The proceeds of the 2002 Bonds were used, together with other available funds of the Health System, for the purpose of providing funds to (1) expand and renovate the existing Hospital building (the 2002 Project), (2) fund a debt service reserve fund for the 2002 Bonds, (3) pay the premium for the municipal bond insurance policy, and (4) pay certain costs related to the issuance of the 2002 Bonds.

On April 15, 2009, the PBC issued its Refunding Revenue Bonds, Series 2009 (the 2009 Bonds), in the amount of \$6,345,000, on behalf of the Health System pursuant to a bond resolution dated March 30, 2009. The proceeds of the 2009 Bonds were used, together with other available funds of the Health System, for the purpose of providing funds to (1) immediately refund the 2002 Bonds, (2) pay the premium for the municipal bond insurance policy, and (3) pay certain costs related to the issuance of the 2009 Bonds.

On October 15, 2009, the PBC issued its Taxable Revenue Bonds, Series 2009-2 (the 2009-2 Bonds), in the amount of \$7,850,000, on behalf of the Health System pursuant to a bond resolution dated September 24, 2009. The proceeds of the 2009-2 Bonds were used, together with other available funds of the Health System, for the purpose of providing funds to (1) expand and renovate the existing Hospital building (the 2009 Project), and (2) pay certain costs related to the issuance of the 2009-2 Bonds. The 2009-2 Bonds are qualified "build America bonds" under Section 54AA of the Internal Revenue Code. The PBC elected to receive a direct payment from the United States Treasury equal to 35 percent of the interest payable on the 2009-2 Bonds.

MITCHELL COUNTY HOSPITAL HEALTH SYSTEMS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
March 31, 2018 and 2017

NOTE I - LONG-TERM OBLIGATIONS - Continued

On June 10, 2014, the PBC issued its Refunding Revenue Bonds, Series 2014 (the 2014 Bonds), in the amount of \$6,015,000, on behalf of the Health System pursuant to a bond resolution dated May 19, 2014. The proceeds of the 2014 Bonds were used, together with available funds of the Health System for the purpose of providing funds to (1) immediately refund the 2009-2 Bonds, and (2) pay certain costs related to the issuance of the 2014 Bonds.

On August 1, 2016, the PBC issued its Refunding Revenue Bonds, Series 2016 (the 2016 Bonds), in the amount of \$3,815,000, on behalf of the Health System. The proceeds of the 2016 Bonds were used, together with available funds of the Health System, for the purpose of providing funds to (1) pay the costs related to issuance of the 2016 Bonds, and (2) make an irrevocable deposit into an escrow fund held by a trustee. The escrow fund was used, together with other available funds of the Health System, to pay interest on the 2009 Bonds due on September 1, 2017, and on March 1, 2017, and to redeem the outstanding principal balance of the 2009 Bonds when they were called on March 1, 2018.

Issuance of the 2016 Bonds and redemption of the 2009 Bonds will decrease the total amount of future debt service requirements by \$1,070,675, which will result in an economic gain (difference between the present value of the future debt service payments on the old and new debt) of \$892,978. No deferred inflow or outflow of resources will be recognized for these transactions because there will be no difference between the book value of the redeemed debt and the amount required to extinguish that debt.

The PBC is a municipal corporation created by the County during 2002 whose principal functions are acquiring land, and constructing, reconstructing, equipping, and furnishing buildings for lease to governmental entities, and to issue revenue bonds to finance those functions. The PBC, the County, and the Health System have entered into lease agreements in which the PBC leases the 2002 Project and the 2009 Project to the County and the Health System for rental payments sufficient to provide for the payment of principal and interest on all outstanding bonds related to the financing of those two projects. The leases contain a covenant by the County to make all rental payments required under the leases from whatever source of revenues is legally available and to levy ad valorem taxes without limit, if necessary, to make such payments.

Timely payment of principal and interest on the 2009 Bonds is insured under a noncancelable policy insured by Assured Guaranty Corporation. The 2009 Bonds, the 2014 Bonds, and the 2016 Bonds are secured by a guaranty agreement between the Endowment Fund (see Note A2) and the PBC. Under the guaranty agreement, the Endowment Fund has guaranteed the payment of principal and interest on those bonds, not to exceed \$100,000 in any one twelve-month period.

The Health System and the County have also entered into a pledge of revenues agreement in which the Health System has pledged its net revenues to the County to secure the payment of principal and interest on the 2009 Bonds, the 2014 Bonds, and the 2016 Bonds. The pledge of revenues agreement requires the Health System to make monthly deposits to a debt service account that are sufficient to pay principal and interest on those bonds as payments are due. Such deposits were maintained and are included with assets limited as to use in the financial statements.

MITCHELL COUNTY HOSPITAL HEALTH SYSTEMS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
March 31, 2018 and 2017

NOTE I - LONG-TERM OBLIGATIONS - Continued

The pledge of revenues agreement includes a rate covenant that requires the level of rates, fees, and charges for services to be sufficient to produce net revenues, as defined, for each fiscal year equal to 100 percent of the debt service requirements for all bonds outstanding during that fiscal year. The Health System's net revenues, as defined, were equal to 112 percent and 123 percent of the debt service requirements for all bonds outstanding during the years ended March 31, 2018 and 2017, respectively.

Scheduled annual debt service requirements on long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 780,000	\$ 241,900	\$ 1,021,900
2020	730,000	223,100	953,100
2021	755,000	205,150	960,150
2022	775,000	182,500	957,500
2023	795,000	159,250	954,250
2024 - 2028	4,065,000	432,750	4,497,750
2029	<u>205,000</u>	<u>7,350</u>	<u>212,350</u>
	<u>\$ 8,105,000</u>	<u>\$ 1,452,000</u>	<u>\$ 9,557,000</u>

Total interest costs are summarized as follows:

	<u>2018</u>	<u>2017</u>
Total interest incurred	\$ 418,046	\$ 413,110
Amortization of bond discount	1,207	1,271
Amortization of bond premium	<u>(57,372)</u>	<u>(43,148)</u>
Interest expense	<u>\$ 361,881</u>	<u>\$ 371,233</u>

NOTE J - PENSION PLANS

The Health System sponsors two defined contribution pension plans that provide pension benefits for all of its employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. The plans are administered by a third-party insurance company and can be amended by the Board of Trustees. The provisions of the plans are as follows:

An Internal Revenue Code Section 414 plan requires mandatory participation upon employment. Concurrent with the establishment of this plan, the Health System ceased to participate in the Federal Social Security System. Both employees and the Health System contribute 6.2 percent of participant compensation to the plan, subject to certain limitations. Employees are 100 percent vested in all contributions upon participation in the plan.

MITCHELL COUNTY HOSPITAL HEALTH SYSTEMS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
March 31, 2018 and 2017

NOTE J - PENSION PLANS - Continued

An Internal Revenue Code Section 403(b) tax sheltered annuity plan permits voluntary participation. Employees become eligible for employer contributions after completing one year of service. Employees may make contributions to the plan subject to maximum limits established by the Internal Revenue Service. The Health System makes matching contributions at a specified percentage of participant contributions up to a maximum of 4 percent of each participant's compensation. Employer contributions vest 20 percent per year of service and are fully vested at the end of five years of service.

Total expense incurred for these plans during the years ended March 31, 2018 and 2017, was \$1,092,236 and \$1,065,354, respectively.

NOTE K - CONCENTRATION OF CREDIT RISK

The Health System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of patient accounts receivable from patients and third-party payors at March 31, 2018 and 2017, is as follows:

	<u>2018</u>	<u>2017</u>
Medicare	57.7%	45.0%
Medicaid	5.9	7.0
Blue Cross	11.3	13.1
Other insurers	13.6	11.8
Patients	<u>11.5</u>	<u>23.1</u>
	<u>100.0%</u>	<u>100.0%</u>

NOTE L - RISK MANAGEMENT

For the years ended March 31, 2018 and 2017, the Health System was insured for hospital professional liability under a comprehensive hospital liability policy provided by an independent insurance carrier with limits of \$200,000 per occurrence up to an annual aggregate of \$600,000 for all claims made during the policy year. The Health System is further covered by the Kansas Health Care Stabilization Fund for claims in excess of its comprehensive hospital liability policy up to \$300,000 pursuant to any one judgment or settlement against the hospital for any one party, subject to an aggregate limitation for all judgments or settlements arising from all claims made in the policy year in the amount of \$900,000. The policy provided by the independent insurance carrier provides for umbrella liability in excess of the underlying limits set forth above in the amount of \$1,000,000 per occurrence with an aggregate amount in any policy period of \$3,000,000. All coverage is on a claims-made basis. The above policies were renewed on January 1, 2018, for the policy period from January 1, 2018 to January 1, 2019.

In addition to the risk disclosed elsewhere in these financial statements and notes thereto, the Health System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters. The Health System purchases commercial insurance for these risks. Settled claims have not exceeded this commercial coverage in any of the past three years.

MITCHELL COUNTY HOSPITAL HEALTH SYSTEMS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
March 31, 2018 and 2017

NOTE M - COMMITMENTS AND CONTINGENCIES

The Health System purchases professional and general liability insurance to cover medical malpractice and other liability claims (see Note L). There are no known claims or incidents that have been asserted. No accrual for loss contingencies related to unasserted claims, if any, has been made in the financial statements as the amount of ultimate settlement, if any, cannot be reasonably estimated.

The Health System has entered into an agreement with a local financial institution under which the Health System transfers to the financial institution its interest in certain self-pay accounts receivable. The accounts are assumed with full recourse, and the Health System is contingently liable for any uncollected accounts. Approximately \$320,000 of these accounts were uncollected at March 31, 2018. Management considers this contingency in estimating its allowance for uncollectible accounts.

On November 11, 2016, the Health System entered into a hosting arrangement for a new computer system that went into productive use during December 2017. Under the agreement, the Health System will pay for use of the system over seven years beginning in November 2016. Future payments required under this agreement are as follows:

2019	\$ 616,287
2020	698,110
2021	698,110
2022	583,047
2023	467,984
2024	<u>203,906</u>
	<u>\$ 3,267,444</u>

NOTE N - RELATED PARTY TRANSACTIONS

The NCK Wellness Center, Inc. (the Wellness Center), was incorporated on January 4, 2006. The Health System, the City of Beloit, and the North Central Kansas Technical College are the members of the Wellness Center which is a not-for-profit membership corporation.

The Health System incurred \$43,909 and \$41,039 in employee compensation expenses on behalf of the Wellness Center during the years ended March 31, 2018 and 2017, respectively. The Wellness Center reimbursed the Health System for \$46,800 and \$43,300 of these expenses during the years ended March 31, 2018 and 2017, respectively. The reimbursements are included in other operating revenue in the financial statements. Amounts due from the Wellness Center totaled \$3,600 and \$7,200 at March 31, 2018 and 2017, and are included in other receivables.

The County levies ad valorem taxes for the benefit of the Health System and remits these taxes as they are collected.

The Mitchell County Regional Medical Foundation (the Foundation) was incorporated on December 22, 2008. The Foundation's purpose is to foster medical needs of Mitchell County and the surrounding region, including those of the Health System. The Foundation's board of directors consists of twelve members, including the Health System's chief executive officer,



MITCHELL COUNTY HOSPITAL HEALTH SYSTEMS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
March 31, 2018 and 2017

NOTE N - RELATED PARTY TRANSACTIONS - Continued

the Health System's chief financial officer, and one member of the Health System's board of trustees. The Foundation is assisting with the Health System's efforts to raise donated funds to help pay for renovations and additions to the Health System's facilities. The Health System incurred expenses of \$54,558 and \$50,442 in connection with the fundraising campaign during the years ended March 31, 2018 and 2017, respectively.

NOTE O - FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is determined according to a hierarchy that gives highest priority to use of observable inputs and lowest priority to use of unobservable inputs. These inputs are described as follows:

Level 1 inputs are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable, supported by little or no market activity, and are significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used by the Health System for assets measured at fair value on a recurring basis:

Mutual funds and common stocks are valued at unadjusted quoted prices for identical securities in active markets.

Fixed income securities are valued at prices provided by independent pricing services.

The following table sets forth, by level, the Health System's assets measured at fair value on a recurring basis:

	March 31, 2017		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U.S. Government obligations	\$ -	\$4,124,776	\$ -
	<u>\$ -</u>	<u>\$4,124,776</u>	<u>\$ -</u>
			<u>\$4,124,776</u>

MITCHELL COUNTY HOSPITAL HEALTH SYSTEMS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
March 31, 2018 and 2017

NOTE O - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

The following tables set forth, by level, the Endowment Fund's assets measured at fair value on a recurring basis:

	December 31, 2017			Total
	Level 1	Level 2	Level 3	
Common stocks	\$2,439,494		\$ -	\$2,439,494
Mutual funds	1,996,576			1,996,576
	<u>\$4,436,070</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$4,436,070</u>

  

	December 31, 2016			Total
	Level 1	Level 2	Level 3	
Common stocks	\$2,279,675		\$ -	\$2,279,675
Mutual funds	1,656,621			1,656,621
	<u>\$3,936,296</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$3,936,296</u>

NOTE P - CONDENSED COMBINING INFORMATION

The following tables are condensed statements of net position for the Health System and its blended component unit:

	2018			
	Health System	Component unit	Eliminations	Consolidated
ASSETS				
Current assets	\$ 9,323,257	\$4,585,411	\$ -	\$13,908,668
Capital assets, net	10,554,528			10,554,528
Other assets	7,362,736			7,362,736
Total assets	<u>\$27,240,521</u>	<u>\$4,585,411</u>	<u>\$ -</u>	<u>\$31,825,932</u>
LIABILITIES				
Current liabilities	\$ 3,591,735	\$ -	\$ -	\$ 3,591,735
Noncurrent liabilities	7,654,373			7,654,373
Total liabilities	<u>11,246,108</u>	<u>-</u>	<u>-</u>	<u>11,246,108</u>
NET POSITION				
Net investment in capital assets	2,120,155			2,120,155
Restricted				
For debt service	1,054,856			1,054,856
For specific operating activities	48,904			48,904
For capital asset acquisitions	100,700			100,700
Unrestricted	12,669,798	4,585,411		17,255,209
Total net position	<u>15,994,413</u>	<u>4,585,411</u>	<u>-</u>	<u>20,579,824</u>
Total liabilities and net position	<u>\$27,240,521</u>	<u>\$4,585,411</u>	<u>\$ -</u>	<u>\$31,825,932</u>



MITCHELL COUNTY HOSPITAL HEALTH SYSTEMS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
March 31, 2018 and 2017

NOTE P - CONDENSED COMBINING INFORMATION - Continued

	2017			
	Health System	Component unit	Eliminations	Consolidated
ASSETS				
Current assets	\$ 8,826,331	\$4,016,383	\$ -	\$12,842,714
Capital assets, net	11,993,509			11,993,509
Other assets	11,899,337			11,899,337
Total assets	<u>\$32,719,177</u>	<u>\$4,016,383</u>	<u>\$ -</u>	<u>\$36,735,560</u>
LIABILITIES				
Current liabilities	\$ 3,697,017	\$ -	\$ -	\$ 3,697,017
Noncurrent liabilities	12,512,335			12,512,335
Total liabilities	<u>16,209,352</u>	<u>-</u>	<u>-</u>	<u>16,209,352</u>
NET POSITION				
Net investment in capital assets	2,875,951			2,875,951
Restricted				
For debt service	1,201,022			1,201,022
For specific operating activities	73,567			73,567
For capital asset acquisitions	6,353			6,353
Unrestricted	12,352,932	4,016,383		16,369,315
Total net position	<u>16,509,825</u>	<u>4,016,383</u>	<u>-</u>	<u>20,526,208</u>
Total liabilities and net position	<u>\$32,719,177</u>	<u>\$4,016,383</u>	<u>\$ -</u>	<u>\$36,735,560</u>

MITCHELL COUNTY HOSPITAL HEALTH SYSTEMS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
March 31, 2018 and 2017

NOTE P - CONDENSED COMBINING INFORMATION - Continued

The following tables are condensed statements of revenues, expenses, and changes in net position for the Health System and its blended component unit:

	2018			
	Health System	Component unit	Eliminations	Consolidated
Total operating revenues	\$25,180,997	\$ -	\$ -	\$25,180,997
Total operating expenses	<u>25,734,547</u>	<u>76,742</u>	<u>(76,000)</u>	<u>25,735,289</u>
Operating loss	<u>(553,550)</u>	<u>(76,742)</u>	<u>76,000</u>	<u>(554,292)</u>
Nonoperating revenue (expenses)				
Investment income	86,968	645,770		732,738
Interest expense	(361,881)			(361,881)
Other	<u>116,835</u>	<u></u>	<u></u>	<u>116,835</u>
	<u>(158,078)</u>	<u>645,770</u>	<u>-</u>	<u>487,692</u>
Excess of revenues over (under) expenses	(711,628)	569,028	76,000	(66,600)
Capital grants and contributions	<u>196,216</u>	<u></u>	<u>(76,000)</u>	<u>120,216</u>
Change in net position	(515,412)	569,028	-	53,616
Beginning net position	<u>16,509,825</u>	<u>4,016,383</u>	<u></u>	<u>20,526,208</u>
Ending net position	<u>\$15,994,413</u>	<u>\$4,585,411</u>	<u>\$ -</u>	<u>\$20,579,824</u>

  

	2017			
	Health System	Component unit	Eliminations	Consolidated
Total operating revenues	\$24,583,039	\$ 41	\$ -	\$24,583,080
Total operating expenses	<u>25,109,678</u>	<u>1,155</u>	<u>-</u>	<u>25,110,833</u>
Operating loss	<u>(526,639)</u>	<u>(1,114)</u>	<u>-</u>	<u>(527,753)</u>
Nonoperating revenue (expenses)				
Investment income	66,412	509,526		575,938
Interest expense	(371,233)			(371,233)
Other	<u>243,281</u>	<u></u>	<u></u>	<u>243,281</u>
	<u>(61,540)</u>	<u>509,526</u>	<u>-</u>	<u>447,986</u>
Excess of revenues over (under) expenses	(588,179)	508,412	-	(79,767)
Capital grants and contributions	<u>141,571</u>	<u></u>	<u></u>	<u>141,571</u>
Change in net position	(446,608)	508,412	-	61,804
Beginning net position	<u>16,956,433</u>	<u>3,507,971</u>	<u></u>	<u>20,464,404</u>
Ending net position	<u>\$16,509,825</u>	<u>\$4,016,383</u>	<u>\$ -</u>	<u>\$20,526,208</u>

MITCHELL COUNTY HOSPITAL HEALTH SYSTEMS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
March 31, 2018 and 2017

NOTE P - CONDENSED COMBINING INFORMATION - Continued

The following tables are condensed statements of cash flows for the Health System and its blended component unit:

	2018			
	<u>Health System</u>	<u>Component unit</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net cash provided (used) by				
Operating activities	\$ (1,206,724)	\$ (76,742)	\$ 76,000	\$ (1,207,466)
Noncapital financing activities	233,112			233,112
Capital and related financing activities	(5,456,731)		(76,000)	(5,532,731)
Investing activities	<u>4,213,414</u>	<u>136,154</u>		<u>4,349,568</u>
Net change in cash and cash equivalents	(2,216,929)	59,412	-	(2,157,517)
Cash and cash equivalents at beginning of year	<u>11,706,332</u>	<u>80,087</u>		<u>11,786,419</u>
Cash and cash equivalents at end year	<u>\$ 9,489,403</u>	<u>\$ 139,499</u>	<u>\$ -</u>	<u>\$ 9,628,902</u>
	2017			
	<u>Health System</u>	<u>Component unit</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net cash provided (used) by				
Operating activities	\$ 1,393,738	\$ (1,114)	\$ -	\$ 1,392,624
Noncapital financing activities	250,757			250,757
Capital and related financing activities	2,721,495			2,721,495
Investing activities	<u>(4,060,118)</u>	<u>81,090</u>		<u>(3,979,028)</u>
Net change in cash and cash equivalents	305,872	79,976	-	385,848
Cash and cash equivalents at beginning of year	<u>11,400,460</u>	<u>111</u>		<u>11,400,571</u>
Cash and cash equivalents at end year	<u>\$11,706,332</u>	<u>\$ 80,087</u>	<u>\$ -</u>	<u>\$11,786,419</u>