

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

Independent Auditor's Report and Financial Statements

December 31, 2018 and 2017

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

December 31, 2018 and 2017

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Independent Auditor's Report

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

We have audited the accompanying financial statements of Cheyenne County Hospital Board of Trustees' Fund (Board of Trustees), a component unit of Cheyenne County, Kansas, as of and for the years ended December 31, 2018 and 2017 and the related notes to the financial statements, which collectively comprise the Board of Trustees' 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 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 provisions of the Kansas Municipal Audit and Accounting Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 above present fairly, in all material respects, the financial position of Cheyenne County Hospital Board of Trustees' Fund as of December 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.

Required Supplementary Information

Management 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

Wichita, Kansas
August 21, 2019

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

**Balance Sheets
December 31, 2018 and 2017**

	2018	2017
Assets		
Current Assets		
Cash	\$ 84,043	\$ 245,052
Intergovernmental receivable	90,423	56,600
Total current assets	174,466	301,652
Capital Assets - Land	13,000	13,000
Beneficial Interest in Trusts	1,929,959	2,082,697
Total assets	\$ 2,117,425	\$ 2,397,349
 Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Due to hospital	\$ 26,181	\$ 26,183
Deferred Inflows of Resources		
Beneficial interests in trusts	1,929,959	2,082,697
 Net Position		
Net investment in capital assets	13,000	13,000
Unrestricted	148,285	275,469
Total net position	161,285	288,469
Total liabilities deferred inflows of resources and net position	\$ 2,117,425	\$ 2,397,349

Cheyenne County Hospital Board of Trustees' Fund
A Component Unit of Cheyenne County, Kansas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2018 and 2017

	2018	2017
Operating Revenues		
Noncapital appropriations - Cheyenne County	\$ 734,446	\$ 616,902
Operating Expenses	4,406	9,326
Operating Income	730,040	607,576
Nonoperating Revenues (Expenses)		
Interest income	1,382	582
Noncapital grants and gifts	1,997	575
Contributions to Hospital for operations	(860,603)	(537,961)
Total nonoperating revenues (expenses)	(857,224)	(536,804)
Excess (Deficiency) of Revenues Over Expenses	(127,184)	70,772
Contributions to Hospital for Property and Equipment	-	(75,112)
Decrease in Net Position	(127,184)	(4,340)
Net Position, Beginning of Year	288,469	292,809
Net Position, End of Year	\$ 161,285	\$ 288,469

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

**Statements of Cash Flows
Years Ended December 31, 2018 and 2017**

	2018	2017
Operating Activities		
Noncapital appropriations - Cheyenne County	\$ 700,621	\$ 585,786
Cash paid to suppliers	(4,406)	(9,326)
Net cash provided by operating activities	696,215	576,460
Noncapital Financing Activities		
Contributions to Hospital for operations	(860,603)	(537,961)
Noncapital grants and gifts	1,997	575
Net cash used in noncapital financing activities	(858,606)	(537,386)
Capital and Related Financing Activities		
Contributions to Hospital for property and equipment	-	(75,112)
Net cash used in investing activities	-	(75,112)
Investing Activities		
Interest received	1,382	582
Net cash provided by investing activities	1,382	582
Decrease in Cash	(161,009)	(35,456)
Cash, Beginning of Year	245,052	280,508
Cash, End of Year	\$ 84,043	\$ 245,052
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 730,040	\$ 607,576
Changes in operating assets and liabilities		
Intergovernmental receivable	(33,823)	(2,107)
Due to hospital	(2)	(29,009)
Net cash provided by operating activities	\$ 696,215	\$ 576,460

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

Notes to Financial Statements

December 31, 2018 and 2017

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, Kansas.

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 under a lease agreement entered into, pursuant to K.S.A. 19-4601 et. seq. with the Board of Trustees (*Note 2*). The operations of GPC are reported on separately from the Board of Trustees due to this lease arrangement.

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, liabilities and deferred inflows of resources 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 the Hospital for operations are included in nonoperating revenues (expenses).

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, liabilities and deferred inflows of resources 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, 2018 and 2017.

Noncapital Appropriations – Cheyenne County – Property and Sales Tax Revenues

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.

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

Notes to Financial Statements

December 31, 2018 and 2017

Sales tax revenue is recognized based on sales tax collected by the County's retailers in the Hospital's accounting period.

Noncapital appropriations revenue for both property and sales taxes are recognized in full in the year in which use is first permitted.

Deferred Inflows of Resources

The Board of Trustees reports increases in net position that relate to future periods as deferred inflows of resources in a separate section of its statements of net position.

Net Position

Net position of the Board of Trustees is classified in two components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets.

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.

Note 2: Lease and Management Agreement

The Board of Trustees controls facilities, including buildings, as well as equipment and other assets, which are owned by Cheyenne County, Kansas, and leased to GPC by the Board of Trustees. The lease agreement provides that GPC will assume and continue the operations of the hospital and maintain all property and equipment in good operating condition. The current lease agreement expires December 31, 2018, but includes two renewal option periods of three years each, which ends December 21, 2024. The Board of Trustees leases the hospital facilities to GPC for \$1. In connection with this lease, Great Plains Health Alliance, Inc. (GPHA), the sole member of GPC, has a management agreement with GPC. 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. All assets and liabilities were transferred to GPC upon commencement of the original term on December 21, 2000. At the end of the lease term, all assets, including working capital and liabilities, shall transfer back to the Board of Trustees.

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

Notes to Financial Statements

December 31, 2018 and 2017

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.

At December 31, 2018 and 2017, none of the Board of Trustees' deposits (checking and savings accounts) were exposed to custodial credit risk.

Note 4: Beneficial Interest in Trusts

During 2016, the Board of Trustees was informed it is the beneficiary of two irrevocable split-interest trust agreements. Under the terms of the agreements, the assets of the trusts are held and administered by an intermediary for the benefit of the Board of Trustees and other beneficiaries. The Trust agreements specify the net income of the trusts are to be distributed to two individuals to provide for their health, maintenance, support and comfort. In addition, the trustee may invade the principle if the trustee determines income of the trusts is inadequate to meet their needs. Upon the death of both individuals, one-half of the assets remaining in the trusts are to be transferred to the Board of Trustees. Accordingly, the Board of Trustees has recorded a beneficial interest in trusts asset and a deferred inflow of resources to recognize the estimate fair value of the assets to be received upon termination of the trusts.

Note 5: Fair Value Measurement of Assets

The Board of Trustees categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The beneficial interest in trusts is considered a level 2 measurement as its fair value is based on the fair values of the underlying assets which include cash, money markets, government and agency securities, corporate bonds, equities, and mutual funds.