

FINANCIAL STATEMENTS AND REPORT OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
HOSPITAL DISTRICT #1  
OF CRAWFORD COUNTY, KANSAS  
DECEMBER 31, 2018 AND 2017

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Trustees  
Hospital District #1 of Crawford County, Kansas

We have audited the accompanying financial statements of the business-type activity of Hospital District #1 of Crawford County, Kansas (Hospital), as of and for the years ended December 31, 2018 and 2017, which collectively comprise the Hospital's basic financial statements as listed in the table of contents and the related notes to the financial statements.

### ***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 Kansas Municipal Audit and Accounting Guide. These standards require that we plan and perform the audits 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 qualified audit opinion.

### ***Basis for Qualified Opinion***

The 2018 and 2017 financial statements referred to above do not include financial data of the Hospital District #1 Crawford County Foundation (Foundation), a component unit of the Hospital based on the nature and significance of the relationship between the Hospital and the Foundation. Although the Hospital does not have ownership of the assets of the Foundation, the financial data of the Foundation should be included in order to conform with accounting principles generally accepted in the United States of America. If the omitted component unit had been included for the years ended December 31, 2018 and 2017, the

component unit's assets and net assets would be approximately \$221,000 and \$230,000, respectively; and there would be a decrease in component unit net assets of approximately \$9,000 and an increase in component unit net assets of \$32,000 in 2018 and 2017, respectively.

**Qualified Opinion**

In our opinion, except for the effects on the financial statements of the omission described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activity of Hospital District #1 of Crawford County, Kansas, as of December 31, 2018 and 2017, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

**Required Supplementary Information**

The Hospital has omitted a 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.

**Other**

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Hospital District #1 of Crawford County, Kansas, basic financial statements as a whole. The supplementary information presented on pages 19 through 23 is for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole, except that no opinion is expressed as to the adequacy of insurance coverage.

The statistical data shown on page 24 is presented solely as supplementary information. This data has been summarized from Hospital records and was not subjected to the audit procedures applied in the audit of the financial statements. Accordingly, we do not express an opinion on such data.

*Wendling Mc Nelson & Johnson 22c*  
Topeka, Kansas  
March 29, 2019

FINANCIAL STATEMENTS

HOSPITAL DISTRICT #1 OF CRAWFORD COUNTY, KANSAS  
STATEMENTS OF NET POSITION  
December 31,

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>2018</u>	<u>2017</u>
<b>CURRENT ASSETS</b>		
Cash and invested cash	\$ 3,308,451	\$ 3,190,636
Patient accounts receivable, net of allowance for doubtful accounts of \$717,000 in 2018 and \$700,000 in 2017 (Note A4)	1,926,694	2,295,278
Accounts receivable - other	224,411	240,952
Estimated settlements due from third-party payors (Note B)	175,000	233,000
Inventories (Note A5)	445,893	478,822
Prepaid expenses	378,191	355,303
Assets whose use is limited - required for current liabilities (Note D)	<u>310,746</u>	<u>98,520</u>
Total current assets	<u>6,769,386</u>	<u>6,892,511</u>
<b>ASSETS WHOSE USE IS LIMITED</b>		
By Board of Trustees (Note C)	285,179	245,549
By donor for capital equipment (Note C)	975,000	975,000
By bond resolution (Note D)	<u>1,125,338</u>	<u>902,520</u>
	2,385,517	2,123,069
Less amounts required for current liabilities	<u>310,746</u>	<u>98,520</u>
Noncurrent assets whose use is limited	<u>2,074,771</u>	<u>2,024,549</u>
<b>CAPITAL ASSETS, NET (Notes A6, E, F, and G)</b>	<u>7,620,120</u>	<u>8,566,465</u>
<b>OTHER ASSETS</b>		
Other investments, at cost	<u>35,100</u>	<u>35,100</u>
Total assets	<u>16,499,377</u>	<u>17,518,625</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows on advance refunding	<u>541,585</u>	<u>610,560</u>
Total assets and deferred outflows of resources	<u>\$17,040,962</u>	<u>\$18,129,185</u>

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET POSITION

	<u>2018</u>	<u>2017</u>
CURRENT LIABILITIES		
Current portion of capital lease obligations (Note F)	\$ 123,815	\$ 137,684
Current portion of long-term debt (Note G)	566,585	427,159
Accounts payable and other accrued liabilities	336,239	407,432
Accrued payroll and related deductions	576,368	521,502
Accrued paid time off (Note A10)	415,826	405,188
Accrued interest payable	136,699	27,104
	<u>2,155,532</u>	<u>1,926,069</u>
CAPITAL LEASE OBLIGATIONS, excluding current portion (Note F)	<u>138,100</u>	<u>261,915</u>
LONG-TERM DEBT, less current portion (Note G)	<u>10,911,960</u>	<u>11,550,383</u>
	<u>13,205,592</u>	<u>13,738,367</u>
NET POSITION (Note A9)		
Invested in capital assets, net of related debt	(4,120,339)	(3,810,675)
Restricted for capital equipment	975,000	975,000
Restricted for debt service (Note D)	1,125,338	902,520
Unrestricted	<u>5,855,371</u>	<u>6,323,973</u>
	<u>3,835,370</u>	<u>4,390,818</u>
Total liabilities and net position	<u>\$17,040,962</u>	<u>\$18,129,185</u>

HOSPITAL DISTRICT #1 OF CRAWFORD COUNTY, KANSAS  
 STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION  
 Year ended December 31,

	<u>2018</u>	<u>2017</u>
Operating revenues		
Net patient service revenue	\$16,506,204	\$17,250,801
Other	<u>973,747</u>	<u>926,642</u>
Total operating revenues	<u>17,479,951</u>	<u>18,177,443</u>
Operating expenses		
Salaries and wages	9,280,925	9,463,944
Employee benefits	2,202,573	2,251,014
Purchased services and professional fees	1,715,031	1,749,476
Leases and rentals	164,908	166,727
Other supplies and expenses	3,313,745	3,351,423
Depreciation and amortization	<u>1,345,260</u>	<u>1,462,646</u>
Total operating expenses	<u>18,022,442</u>	<u>18,445,230</u>
Operating loss	<u>(542,491)</u>	<u>(267,787)</u>
Nonoperating revenues (expenses)		
Investment income	58,999	41,242
Noncapital contributions		600
Ad valorem taxes	318,589	201,636
Interest expense	(453,638)	(806,688)
Gain (loss) on disposal of capital assets	<u>710</u>	<u>(14,915)</u>
Nonoperating revenues (expenses), net	<u>(75,340)</u>	<u>(578,125)</u>
Expenses in excess of revenues before capital contributions	(617,831)	(845,912)
Capital contributions	<u>62,383</u>	<u>22,383</u>
Decrease in net position	(555,448)	(823,529)
Net position at beginning of year	<u>4,390,818</u>	<u>5,214,347</u>
Net position at end of year	<u>\$ 3,835,370</u>	<u>\$ 4,390,818</u>

The accompanying notes are an integral part of these statements.

HOSPITAL DISTRICT #1 OF CRAWFORD COUNTY, KANSAS  
STATEMENTS OF CASH FLOWS  
Year ended December 31,

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Receipts from and on behalf of patients	\$16,932,788	\$17,407,761
Payments to or on behalf of employees	(11,417,994)	(11,754,910)
Payments for supplies and services	(5,254,836)	(5,274,725)
Other receipts and payments	<u>990,288</u>	<u>888,420</u>
Net cash provided by operating activities	<u>1,250,246</u>	<u>1,266,546</u>
Cash flows from noncapital financing activities		
Ad valorem taxes	318,589	201,636
Noncapital contributions	<u>          </u>	<u>600</u>
Net cash provided by noncapital financing activities	<u>318,589</u>	<u>202,236</u>
Cash flows from capital and related financing activities		
Purchases of capital assets	(398,915)	(376,309)
Proceeds from disposals of equipment	710	50
Repayments on capital lease obligations	(137,684)	(204,386)
Repayment of long-term debt	(427,159)	(8,984,980)
Proceeds from issuance of long-term debt	<u>          </u>	<u>8,775,000</u>
Receipt of contributions restricted for capital assets	62,383	22,383
Payment of bond issuance costs	<u>          </u>	<u>(219,511)</u>
Interest paid on long-term debt	<u>(346,906)</u>	<u>(548,081)</u>
Net cash used by capital and related financing activities	<u>(1,247,571)</u>	<u>(1,535,834)</u>
Cash flows from investing activities		
Investment income	<u>58,999</u>	<u>41,242</u>
Net cash provided (used) by investing activities	<u>58,999</u>	<u>41,242</u>
Change in cash and cash equivalents	380,263	(25,810)
Cash and cash equivalents at beginning of year	<u>5,313,705</u>	<u>5,339,515</u>
Cash and cash equivalents at end of year	<u>\$ 5,693,968</u>	<u>\$ 5,313,705</u>
Reconciliation of cash and cash equivalents		
Cash and cash equivalents	\$ 3,308,451	\$ 3,190,636
Cash included in assets whose use is limited	<u>2,385,517</u>	<u>2,123,069</u>
	<u>\$ 5,693,968</u>	<u>\$ 5,313,705</u>

The accompanying notes are an integral part of these statements.

HOSPITAL DISTRICT #1 OF CRAWFORD COUNTY, KANSAS  
STATEMENTS OF CASH FLOWS - CONTINUED  
Year ended December 31,

	<u>2018</u>	<u>2017</u>
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	\$ (542,491)	\$ (267,787)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation and amortization	1,345,260	1,462,646
Provision for bad debts	1,132,253	1,143,509
Changes in		
Patient receivables	(763,669)	(1,186,549)
Other receivables	16,541	(38,222)
Estimated settlements due to/from third-party payors	58,000	200,000
Inventories	32,929	(6,028)
Prepaid expenses	(22,888)	15,128
Accounts payable and accrued expenses	(71,193)	(16,199)
Accrued payroll and related deductions	54,866	14,079
Accrued paid time off	10,638	(54,031)
	<u>\$ 1,250,246</u>	<u>\$ 1,266,546</u>
Net cash provided by operating activities	<u>\$ 1,250,246</u>	<u>\$ 1,266,546</u>

The accompanying notes are an integral part of these statements.