

# **Satanta Hospital District**

Independent Auditor's Report and Financial Statements

December 31, 2018 and 2017



**Satanta Hospital District**  
**December 31, 2018 and 2017**

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## Independent Auditor's Report

Board of Trustees  
Satanta Hospital District  
Satanta, Kansas

We have audited the accompanying financial statements of Satanta Hospital District (the Hospital), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise Satanta Hospital District'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 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. 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 Satanta Hospital District 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.

### ***Other Matters***

#### ***Required Supplementary Information***

Management 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 basic statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Satanta Hospital District's basic financial statements. The Comparison of Revenues and Expenses (Cash Basis) – Actual and Tax Budget listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The Comparison of Revenues and Expenses (Cash Basis) – Actual and Tax Budget is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit and Accounting Guide. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

***BKD, LLP***

Wichita, Kansas  
May 22, 2019

**Satanta Hospital District**  
**Balance Sheets**  
**December 31, 2018 and 2017**

**Assets**

	<b>2018</b>	<b>2017</b>
<b>Current Assets</b>		
Cash	\$ 2,382,831	\$ 1,845,302
Restricted cash	48,365	46,833
Patient accounts receivable, net of allowance; 2018 – \$382,921, 2017 – \$398,919	1,440,689	1,214,801
Estimated amounts due from third-party payers	-	271,000
Property taxes receivable	2,486,077	2,486,077
Supplies	400,009	408,920
Prepaid expenses and other	258,224	230,804
Total current assets	7,016,195	6,503,737
<b>Capital Assets, Net</b>	5,522,585	6,074,710
Total assets	\$ 12,538,780	\$ 12,578,447

## Liabilities, Deferred Inflows of Resources and Net Position

	<u>2018</u>	<u>2017</u>
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 499,238	\$ 463,246
Accounts payable	334,845	246,754
Accrued salaries and wages and related deductions	389,002	419,207
Accrued vacation	290,938	271,759
Accrued interest	9,231	13,515
Estimated amounts due to third-party payers	<u>182,000</u>	<u>-</u>
Total current liabilities	1,705,254	1,414,481
<b>Long-term Debt</b>	<u>747,747</u>	<u>1,140,434</u>
Total liabilities	<u>2,453,001</u>	<u>2,554,915</u>
<b>Deferred Inflows of Resources</b>		
Unearned revenue - current property taxes	<u>2,479,531</u>	<u>2,479,531</u>
<b>Net Position</b>		
Net investment in capital assets	4,275,600	4,471,030
Restricted - expendable for		
Capital acquisitions	19,573	16,535
Employee activities	2,191	2,671
Grant activities	6,465	7,597
Scholarships	136	30
Nonexpendable permanent endowments	20,000	20,000
Unrestricted	<u>3,282,283</u>	<u>3,026,138</u>
Total net position	<u>7,606,248</u>	<u>7,544,001</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 12,538,780</u>	<u>\$ 12,578,447</u>

**Satanta Hospital District**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended December 31, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Operating Revenues</b>		
Net patient service revenue	\$ 8,424,931	\$ 7,923,244
Retail pharmacy	1,357,654	1,395,705
Independent living	246,655	229,253
Other	85,346	113,273
Total operating revenues	10,114,586	9,661,475
<b>Operating Expenses</b>		
Salaries and wages	6,337,759	5,974,302
Employee benefits	1,488,821	1,485,256
Supplies and other	4,194,216	4,374,915
Depreciation	687,982	643,479
Total operating expenses	12,708,778	12,477,952
<b>Operating Loss</b>	<b>(2,594,192)</b>	<b>(2,816,477)</b>
<b>Nonoperating Revenues (Expenses)</b>		
Property taxes	2,636,233	2,448,750
Interest income	5,066	9,462
Interest expense	(25,845)	(54,988)
Noncapital grants and gifts	21,498	52,654
Total nonoperating revenues	2,636,952	2,455,878
<b>Excess (Deficiency) of Revenues Over Expenses Before Capital Grants and Gifts</b>	42,760	(360,599)
<b>Capital Grants and Gifts</b>	19,487	239,985
<b>Increase (Decrease) in Net Position</b>	62,247	(120,614)
<b>Net Position, Beginning of Year</b>	7,544,001	7,664,615
<b>Net Position, End of Year</b>	\$ 7,606,248	\$ 7,544,001

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

	<b>2018</b>	<b>2017</b>
<b>Operating Activities</b>		
Receipts from and on behalf of patients	\$ 8,652,043	\$ 7,886,690
Payments to suppliers	(5,602,493)	(6,020,966)
Payments to employees	(6,348,785)	(6,010,001)
Other receipts, net	1,689,655	1,738,231
Net cash used in operating activities	(1,609,580)	(2,406,046)
<b>Noncapital Financing Activities</b>		
Property taxes supporting operations	2,202,924	2,018,854
Noncapital grants and gifts	21,498	52,654
Net cash provided by noncapital financing activities	2,224,422	2,071,508
<b>Capital and Related Financing Activities</b>		
Capital grants and gifts	19,487	239,985
Principal paid on long-term debt	(488,656)	(407,233)
Interest payments on long-term debt	(30,129)	(59,154)
Property taxes to retire debt and acquisitions of capital assets	433,309	423,350
Purchase of capital assets	(14,858)	(490,144)
Net cash used in capital and related financing activities	(80,847)	(293,196)
<b>Investing Activities</b>		
Interest income	5,066	9,462
Net cash provided by investing activities	5,066	9,462
<b>Increase (Decrease) in Cash</b>	539,061	(618,272)
<b>Cash, Beginning of Year</b>	1,892,135	2,510,407
<b>Cash, End of Year</b>	\$ 2,431,196	\$ 1,892,135
<b>Reconciliation of Cash to the Balance Sheets</b>		
Cash in current assets	\$ 2,382,831	\$ 1,845,302
Restricted cash in current assets	48,365	46,833
Total cash	\$ 2,431,196	\$ 1,892,135



**Satanta Hospital District**  
**Statements of Cash Flows (Continued)**  
**Years Ended December 31, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Reconciliation of Operating Loss to Net Cash</b>		
<b>Used in Operating Activities</b>		
Operating loss	\$ (2,594,192)	\$ (2,816,477)
Depreciation	687,982	643,479
Provision for uncollectible accounts	383,882	386,405
Changes in operating assets and liabilities		
Patient accounts receivable	(609,770)	(368,148)
Estimated amounts due from and to third-party payers	453,000	(54,811)
Accounts payable and accrued expenses	77,065	(173,751)
Other assets and liabilities	(7,547)	(22,743)
	<u>\$ (1,609,580)</u>	<u>\$ (2,406,046)</u>
 <b>Supplemental Cash Flows Information</b>		
Capital lease obligations incurred for capital assets	\$ 120,999	\$ 437,605
Maintenance contract under capital lease	\$ 10,962	\$ -

# **Satanta Hospital District**

## **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 Satanta Hospital District (the Hospital) is a tax-levying municipality which operates as the Satanta District Hospital located in Satanta, Kansas. The Hospital is a health care facility organized as a district hospital pursuant to K.S.A. 80-2502 and includes the operation of the hospital and long-term care unit, Satanta clinic and Sublette clinic. They are operated from facilities owned or leased by the Satanta Hospital District.

##### ***Basis of Accounting and Presentation***

The financial statements of the Hospital 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 or voluntary nonexchange transactions are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific such as property taxes, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Hospital first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

##### ***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 and outflows 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 Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. There are no cash equivalents at December 31, 2018 and 2017.

##### ***Budgetary Principles***

The Hospital is required by state statutes to adopt an annual budget for the unrestricted funds on or before August 25 for the ensuing year. The Hospital's Board of Trustees may amend the budget by transferring budgeted amounts from one object or purpose to another within the same fund. Expenditures may not legally exceed the total amount of the adopted budget of expenditures of the fund which is prepared on a calendar year basis.

**Satanta Hospital District**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

Applicable Kansas statutes require the use of an encumbrance system as a management control technique to assist in controlling expenditures. For budgetary purposes, encumbrances of the budgeted unrestricted funds, representing purchase orders, contracts and other commitments, are reported as a charge to the current budget year. All unencumbered appropriations lapse at the end of the year.

***Property Taxes***

The Hospital received approximately 21% and 20% of its financial support from property taxes in 2018 and 2017, respectively. These funds were used as follows:

	<b>2018</b>	<b>2017</b>
Percentage used to support operations	84%	83%
Percentage used for debt service	16%	17%
	100%	100%

Property taxes are levied in November of one year and are received beginning in January of the following year. Property tax revenue is recognized in full in the year following the year the taxes are levied, which is the year in which use is first permitted.

***Risk Management***

The Hospital is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than employee health and dental claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

***Patient Accounts Receivable***

The Hospital reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Hospital provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

***Supplies***

Supply inventories are stated at the lower of cost, determined using the first-in, first-out method, or market.

**Satanta Hospital District**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

***Capital Assets***

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful lives.

The following estimated useful lives are being used by the Hospital:

Land improvements	5-20 years
Buildings	5-40 years
Fixed equipment	5-20 years
Moveable equipment	5-20 years

***Capital Asset Impairment***

The Hospital evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. No asset impairment was recognized during the years ended December 31, 2018 and 2017.

***Compensated Absences***

Hospital policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

***Deferred Inflows of Resources***

The Hospital reports decreases in net position that relate to future periods as deferred inflows of resources in a separate section of its balance sheets. Deferred inflows of resources consist of property taxes levied for use in future periods.

# **Satanta Hospital District**

## **Notes to Financial Statements**

### **December 31, 2018 and 2017**

#### ***Net Position***

Net position of the Hospital is classified in four components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by grantors or donors external to the Hospital. Restricted nonexpendable net position consists of noncapital assets that are required to be maintained in perpetuity as specified by parties external to the Hospital, such as permanent endowments. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Included in unrestricted net position is Board designated funds set aside for capital acquisitions over which the Board retains control and may, at its discretion, subsequently use for other purposes.

#### ***Net Patient Service Revenue***

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

#### ***Charity Care***

The Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

#### ***Income Taxes***

As an essential government entity, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

**Satanta Hospital District**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

***Electronic Health Records Incentive Program***

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records (EHR) technology. Critical access hospitals (CAHs) are eligible to receive incentive payments for up to four years under the Medicare program for its reasonable costs of the purchase of certified EHR technology multiplied by the Hospital's Medicare utilization plus 20%, limited to 100% of the costs incurred. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services (CMS). Payment under both programs are contingent on the hospital continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year under both programs is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

**Note 2: Net Patient Service Revenue**

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. These payment arrangements include:

*Medicare.* The Hospital is recognized as a CAH. Under CAH rules, inpatient acute care and skilled swing-bed and certain outpatient services rendered to Medicare program beneficiaries are paid at one hundred one percent (101%) of allowable cost subject to certain limitations. Other outpatient services related to Medicare beneficiaries are paid based on fee schedules and cost reimbursement methodologies, subject to certain limitations. The Hospital is reimbursed for most services at tentative rates with final settlement determined after submission of an annual cost report by the Hospital and audits thereof by the Medicare administrative contractor.

*Medicaid.* Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed on a prospective payment methodology, which includes a hospital specific add-on percentage based on prior filed cost reports. The add-on percentage may be rebased at some time in the future.

Services rendered for long-term care facility residents are reimbursed under a cost-based prospective reimbursement methodology. The Hospital is reimbursed at a prospective rate with annual cost reports submitted to the Medicaid program. Rates are adjusted on July 1 and January 1 using an average of the three previously filed annual cost reports and changes in the Medicaid resident case mix. The Medicaid cost reports are subject to audit by the state and adjustments to rates can be made retroactively.

**Satanta Hospital District**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

Approximately 77% and 79% of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2018 and 2017, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Hospital has also entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined case rates and discounts from established charges.

**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 Hospital's 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, respectively, none of the Hospital's bank balances of \$2,497,331 and \$1,987,484 were exposed to custodial credit risk.

**Summary of Carrying Values**

The carrying values of deposits shown above are included in the balance sheets as follows:

	<b>2018</b>	<b>2017</b>
Carrying value		
Deposits	\$ 2,428,546	\$ 1,889,485
Petty cash	2,650	2,650
	\$ 2,431,196	\$ 1,892,135
Included in the following balance sheet captions		
Cash	\$ 2,382,831	\$ 1,845,302
Restricted cash	48,365	46,833
	\$ 2,431,196	\$ 1,892,135

**Satanta Hospital District**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

**Note 4: Patient Accounts Receivable**

The Hospital grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at December 31 consisted of:

	<b>2018</b>	<b>2017</b>
Medicare	\$ 680,537	\$ 500,579
Medicaid	50,929	90,330
Blue Cross	99,261	103,656
Other third-party payers	195,670	196,932
Patients	797,213	722,223
	1,823,610	1,613,720
Less allowance for uncollectible accounts	(382,921)	(398,919)
	\$ 1,440,689	\$ 1,214,801

**Note 5: Capital Assets**

Capital assets activity for the years ended December 31 was:

	<b>2018</b>				<b>Ending Balance</b>
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	
Land	\$ 185,886	\$ -	\$ -	\$ -	\$ 185,886
Land improvements	339,056	-	-	-	339,056
Buildings	11,951,871	14,858	-	-	11,966,729
Fixed equipment	2,191,586	-	-	-	2,191,586
Major moveable equipment	2,391,364	120,999	(166,052)	-	2,346,311
	17,059,763	135,857	(166,052)	-	17,029,568
Less accumulated depreciation					
Land improvements	191,668	20,068	-	-	211,736
Buildings	7,413,472	393,187	-	-	7,806,659
Fixed equipment	1,688,200	70,070	-	-	1,758,270
Major moveable equipment	1,691,713	204,657	(166,052)	-	1,730,318
	10,985,053	687,982	(166,052)	-	11,506,983
Capital Assets, Net	\$ 6,074,710	\$ (552,125)	\$ -	\$ -	\$ 5,522,585



**Satanta Hospital District**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

	2017				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Land	\$ 185,886	\$ -	\$ -	\$ -	\$ 185,886
Land improvements	339,056	-	-	-	339,056
Buildings	11,633,518	-	-	318,353	11,951,871
Fixed equipment	2,101,314	-	-	90,272	2,191,586
Major moveable equipment	2,293,661	545,927	(448,224)	-	2,391,364
Construction in progress	26,803	381,822	-	(408,625)	-
	<u>16,580,238</u>	<u>927,749</u>	<u>(448,224)</u>	<u>-</u>	<u>17,059,763</u>
Less accumulated depreciation					
Land improvements	171,098	20,570	-	-	191,668
Buildings	7,024,218	389,254	-	-	7,413,472
Fixed equipment	1,623,417	64,783	-	-	1,688,200
Major moveable equipment	1,971,065	168,872	(448,224)	-	1,691,713
	<u>10,789,798</u>	<u>643,479</u>	<u>(448,224)</u>	<u>-</u>	<u>10,985,053</u>
Capital Assets, Net	<u>\$ 5,790,440</u>	<u>\$ 284,270</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,074,710</u>

**Note 6: Medical Malpractice Coverage and Claims**

The Hospital purchases medical malpractice insurance under a claims-made policy with a fixed premium which provides \$200,000 of coverage for each medical incident and \$600,000 of aggregate coverage for each policy year. The policy only covers claims made and reported to the insurer during the policy term, regardless of when the incident giving rise to the claim occurred. The Kansas Health Care Stabilization Fund provides an additional \$800,000 of coverage for each medical incident and \$2,400,000 of aggregate coverage for each policy year.

Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the future.

**Satanta Hospital District**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

**Note 7: Long-term Obligations**

The following is a summary of long-term obligation transactions for the Hospital for the years ended December 31:

	<b>2018</b>					
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>	<b>Long-term Portion</b>
General obligation bonds	\$ 1,175,000	\$ -	\$ 375,000	\$ 800,000	\$ 390,000	\$ 410,000
Capital lease obligations	418,102	131,961	108,099	441,964	105,679	336,285
Plus bond premium	10,578	-	5,557	5,021	3,559	1,462
	<u>\$ 1,603,680</u>	<u>\$ 131,961</u>	<u>\$ 488,656</u>	<u>\$ 1,246,985</u>	<u>\$ 499,238</u>	<u>\$ 747,747</u>
	<b>2017</b>					
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>	<b>Long-term Portion</b>
General obligation bonds	\$ 1,540,000	\$ -	\$ 365,000	\$ 1,175,000	\$ 375,000	\$ 800,000
Capital lease obligations	15,237	437,605	34,740	418,102	82,689	335,413
Plus bond premium	18,071	-	7,493	10,578	5,557	5,021
	<u>\$ 1,573,308</u>	<u>\$ 437,605</u>	<u>\$ 407,233</u>	<u>\$ 1,603,680</u>	<u>\$ 463,246</u>	<u>\$ 1,140,434</u>

**General Obligation Bonds**

The General Obligation Bonds payable consist of Satanta Hospital District General Obligation Bonds Series 2010A and Satanta Hospital District General Obligation Bonds Series 2011.

The Series 2010A general obligation bonds are direct obligations of the Hospital in the original amount of \$2,000,000 dated October 7, 2010, which bear interest at 2.0% to 3.5%. The bonds are payable in annual installments of principal with semiannual interest payments through September 1, 2020.

The Series 2011 general obligation bonds are direct obligations of the Hospital in the original amount of \$1,500,000 dated March 9, 2011, which bear interest at 3.0% to 4.0%. The bonds are payable in annual installments of principal with semiannual interest payments through September 1, 2020.

The debt service requirements as of December 31, 2018, are as follows:

<b>Year Ending December 31,</b>	<b>Total to be</b>	
	<b>Paid</b>	<b>Principal</b>
		<b>Interest</b>
2019	\$ 417,694	\$ 390,000
2020	424,344	410,000
	<u>\$ 842,038</u>	<u>\$ 800,000</u>
		<u>\$ 42,038</u>

**Satanta Hospital District**  
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**Capital Lease Obligations**

The Hospital is obligated under leases for equipment that are accounted for as capital leases. A schedule of the equipment cost and accumulated depreciation under capital leases follows:

	<b>2018</b>	<b>2017</b>
Equipment	\$ 584,418	\$ 463,419
Accumulated depreciation	(108,252)	(37,584)
	\$ 476,166	\$ 425,835

The following is a schedule by year of future minimum lease payments under the capital leases including interest at rates of 3.66% to 8.00% together with the present value of the future minimum lease payments as of December 31, 2018:

<b>Year Ending December 31,</b>		
2019	\$	125,710
2020		132,828
2021		132,828
2022		87,340
2023		7,232
Total minimum lease payments		485,938
Less amount representing interest		43,974
Present value of future minimum lease payments	\$	441,964

**Note 8: Pension Plans**

**Deferred Contribution Plan – 401(a) Plan**

The Hospital maintains a defined contribution pension plan (401(a) plan) for all eligible employees. Eligibility is established by all employees who are at least 21 years of age and have completed one or more years of service. Employer contributions are computed at the rate of 2% of annual compensation for all employees. The employer also makes supplemental contributions up to an additional 4% of the annual compensation that eligible employees voluntarily defer into the deferred compensation plan as described below. No employee contributions are permitted to the 401(a) plan. Contributions actually made by the Hospital aggregated \$217,881 and \$170,170 during 2018 and 2017, respectively.

**Satanta Hospital District**  
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***Deferred Compensation Plan – 457 Plan***

The Hospital maintains a deferred compensation plan (457 Plan) for all employees. Employees are eligible to participate in the 457 Plan on their first day of employment. The Hospital does not make contributions to the 457 Plan.

**Note 9: Management/Services Agreement**

The Board has contracted with Great Plains Health Alliance, Inc. (GPHA) for various services, including management, data processing and accounting services. The terms of the agreements cover the period of one year and can be canceled with 90 days' notice. The agreements can be renewed after the initial term has expired on a year-to-year basis. Fees incurred for the various services provided by GPHA to the Hospital for the years ended December 31, 2018 and 2017, were \$597,054 and \$570,641, respectively. Amounts due to GPHA at December 31, 2018 and 2017, totaled \$10,605 and \$1,989, respectively.

**Note 10: Great Plains Employee Benefits Trust**

In response to amendments to Kansas Insurance Code related to multi-employer welfare arrangements, GPHA restated its existing voluntary employees' beneficiary association (VEBA) trust as described in Section 501(c)(9) of the Internal Revenue Code, which is named the Great Plains Employee Benefits Trust (the Trust). The Trust is governed by its Board of Trustees. One of the purposes of the Trust is to provide the self-funded GPHA Employee Benefits Plan (the Plan) for its member organizations and their participating employees. The Hospital is a member organization in the Trust and substantially all of the Hospital's employees and their dependents are eligible to participate in the Plan. The Plan provides medical benefits, prescription drug benefits and dental benefits for a benefit period that runs each year from July 1 through June 30. The participant's monthly premiums are determined by the Trust. The Trust may change the premiums from time to time. The Plan agreement specifies that the Trust will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of stop-loss amounts. The Trust accrues a provision for self-insured employee benefit claims including both claims reported and claims incurred but not yet reported. If a net deficit position is anticipated by the Trust after consideration of the accrued provision, the Trust will administer insurance assessments to its member organizations based on a systematic allocation method. No assessments were required during 2018 and 2017.

## **Supplementary Information**

## Satanta Hospital District

### Comparison of Revenues and Expenses (Cash Basis) – Actual and Tax Budget Year Ended December 31, 2018

	Actual	Tax Budget	Actual Over (Under) Budget
<b>General Fund:</b>			
Property taxes	\$ 2,124,371	\$ 2,060,060	\$ 64,311
Interest	3,637	1,118	2,519
Total revenue	2,128,008	2,061,178	66,830
Transfer to hospital operations	2,129,088	2,232,436	(103,348)
Excess (deficiency) of revenue over expenditures	(1,080)	\$ (171,258)	\$ 170,178
Unencumbered cash, beginning of year	101,208		
Unencumbered cash, end of year	\$ 100,128		
<b>Debt Service Fund:</b>			
Property taxes	\$ 433,309	\$ 419,471	\$ 13,838
Interest	523	431	92
Total revenue	433,832	419,902	13,930
Bond principal	375,000	375,000	-
Interest	40,544	40,544	-
Other	-	31,615	(31,615)
Total expenditures	415,544	447,159	(31,615)
Excess (deficiency) of revenue over expenditures	18,288	\$ (27,257)	\$ 45,545
Unencumbered cash, beginning of year	19,365		
Unencumbered cash, end of year	\$ 37,653		