

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

Independent Auditor's Report and Financial Statements

December 31, 2017 and 2016



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

<b>Independent Auditor's Report.....</b>	<b>1</b>
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**Financial Statements**

Balance Sheets.....	3
Statements of Revenues, Expenses and Changes in Net Position .....	4
Statements of Cash Flows .....	5
Notes to Financial Statements .....	6

## 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, 2017 and 2016 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, 2017 and 2016, 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  
June 12, 2018

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

## Balance Sheets December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 245,052	\$ 280,508
Intergovernmental receivable	<u>56,600</u>	<u>54,493</u>
Total current assets	<u>301,652</u>	<u>335,001</u>
<b>Capital Assets - Land</b>	<u>13,000</u>	<u>13,000</u>
<b>Beneficial Interest in Trusts</b>	<u>2,082,697</u>	<u>1,945,573</u>
Total assets	<u><u>\$ 2,397,349</u></u>	<u><u>\$ 2,293,574</u></u>
 <b>Liabilities, Deferred Inflows of Resources and Net Position</b>		
<b>Current Liabilities</b>		
Due to hospital	<u>\$ 26,183</u>	<u>\$ 55,192</u>
<b>Deferred Inflows of Resources</b>		
Beneficial interests in trusts	<u>2,082,697</u>	<u>1,945,573</u>
 <b>Net Position</b>		
Net investment in capital assets	13,000	13,000
Unrestricted	<u>275,469</u>	<u>279,809</u>
Total net position	<u>288,469</u>	<u>292,809</u>
Total liabilities deferred inflows of resources and net position	<u><u>\$ 2,397,349</u></u>	<u><u>\$ 2,293,574</u></u>

**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, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Operating Revenues</b>		
Noncapital appropriations - Cheyenne County	\$ 616,902	\$ 627,755
<b>Operating Expenses</b>	<u>9,326</u>	<u>9,936</u>
<b>Operating Income</b>	<u>607,576</u>	<u>617,819</u>
<b>Nonoperating Revenues (Expenses)</b>		
Interest income	582	460
Noncapital grants and gifts	575	130,089
Contributions to Hospital for operations	<u>(537,961)</u>	<u>(648,856)</u>
Total nonoperating revenues (expenses)	<u>(536,804)</u>	<u>(518,307)</u>
<b>Excess of Revenues Over Expenses</b>	70,772	99,512
<b>Contributions to Hospital for Property and Equipment</b>	<u>(75,112)</u>	<u>(40,945)</u>
<b>Increase (Decrease) in Net Position</b>	(4,340)	58,567
<b>Net Position, Beginning of Year</b>	<u>292,809</u>	<u>234,242</u>
<b>Net Position, End of Year</b>	<u><u>\$ 288,469</u></u>	<u><u>\$ 292,809</u></u>

# Cheyenne County Hospital Board of Trustees' Fund

## A Component Unit of Cheyenne County, Kansas

### Statements of Cash Flows

#### Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Operating Activities</b>		
Noncapital appropriations - Cheyenne County	\$ 585,786	\$ 693,196
Cash paid to suppliers	<u>(9,326)</u>	<u>(9,936)</u>
Net cash provided by operating activities	<u>576,460</u>	<u>683,260</u>
<b>Noncapital Financing Activities</b>		
Contributions to Hospital for operations	(537,961)	(648,856)
Noncapital grants and gifts	<u>575</u>	<u>130,089</u>
Net cash used in noncapital financing activities	<u>(537,386)</u>	<u>(518,767)</u>
<b>Capital and Related Financing Activities</b>		
Contributions to Hospital for property and equipment	<u>(75,112)</u>	<u>(40,945)</u>
Net cash used in investing activities	<u>(75,112)</u>	<u>(40,945)</u>
<b>Investing Activities</b>		
Interest received	<u>582</u>	<u>460</u>
Net cash provided by investing activities	<u>582</u>	<u>460</u>
<b>Increase (Decrease) in Cash</b>	(35,456)	124,008
<b>Cash, Beginning of Year</b>	<u>280,508</u>	<u>156,500</u>
<b>Cash, End of Year</b>	<u><u>\$ 245,052</u></u>	<u><u>\$ 280,508</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating income	\$ 607,576	\$ 617,819
Changes in operating assets and liabilities		
Intergovernmental receivable	(2,107)	10,249
Due to hospital	<u>(29,009)</u>	<u>55,192</u>
Net cash provided by operating activities	<u><u>\$ 576,460</u></u>	<u><u>\$ 683,260</u></u>
<b>Supplemental Cash Flows Information</b>		
Receipt of beneficial interests in trusts	<u><u>\$ -</u></u>	<u><u>\$ 1,945,573</u></u>

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

## **Notes to Financial Statements**

**December 31, 2017 and 2016**

### **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, 2017 and 2016.

#### ***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, 2017 and 2016**

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 21, 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, 2017 and 2016**

### **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, 2017 and 2016, 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.