

Hodgeman County Health Center
A Component Unit of Hodgeman County, Kansas

Independent Auditor's Report and Financial Statements

December 31, 2016 and 2015



Hodgeman County Health Center
A Component Unit of Hodgeman County, Kansas
December 31, 2016 and 2015

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Independent Auditor's Report

Board of Trustees
Hodgeman County Health Center
Jetmore, Kansas

We have audited the accompanying financial statements of Hodgeman County Health Center, a component unit of Hodgeman County, Kansas, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise Hodgeman County Health Center'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 and the provisions of the Kansas Municipal Audit and Accounting Guide; 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 Hodgeman County Health Center as of December 31, 2016 and 2015, 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 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
April 20, 2017

Hodgeman County Health Center
A Component Unit of Hodgeman County, Kansas
Balance Sheets
December 31, 2016 and 2015

	2016	2015
Assets		
Current Assets		
Cash	\$ 1,050,769	\$ 938,654
Cash restricted for debt service	121,005	217,786
Patient accounts receivable, net	855,839	979,985
Supplies	130,195	120,007
Prepaid expenses and other	44,565	198,223
Total current assets	2,202,373	2,454,655
Noncurrent Cash and Certificates of Deposit - Restricted for Debt Service	204,378	199,190
Capital Assets, Net	4,774,084	5,184,967
Total assets	\$ 7,180,835	\$ 7,838,812
Liabilities and Net Position		
Current Liabilities		
Current maturities of long-term debt	\$ 156,238	\$ 159,295
Accounts payable	235,533	252,400
Accrued expenses	445,504	361,167
Estimated amounts due to third-party payers	410,000	127,000
Total current liabilities	1,247,275	899,862
Long-term Debt	213,196	369,434
Total liabilities	1,460,471	1,269,296
Net Position		
Net investment in capital assets	4,404,650	4,656,238
Restricted - expendable for debt service	325,383	416,976
Unrestricted	990,331	1,496,302
Total net position	5,720,364	6,569,516
Total liabilities and net position	\$ 7,180,835	\$ 7,838,812

Hodgeman County Health Center
A Component Unit of Hodgeman County, Kansas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2016 and 2015

	2016	2015
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2016 - \$16,163, 2015 - \$311,138	\$ 7,162,132	\$ 6,227,301
Bramley Place	146,371	140,162
Other	61,870	65,349
Total operating revenues	7,370,373	6,432,812
Operating Expenses		
Salaries and wages	4,003,134	3,393,363
Employee benefits	700,305	591,527
Purchased services and professional fees	1,472,991	1,502,393
Supplies and other	1,909,855	1,693,716
Depreciation	451,761	467,612
Total operating expenses	8,538,046	7,648,611
Operating Loss	(1,167,673)	(1,215,799)
Nonoperating Revenues (Expenses)		
Noncapital appropriations - Hodgeman County	300,000	300,000
Noncapital contributions and grants	33,618	13,564
Interest income	8,397	4,297
Interest expense	(23,494)	(30,851)
Total nonoperating revenues (expenses)	318,521	287,010
Decrease in Net Position	(849,152)	(928,789)
Net Position, Beginning of Year	6,569,516	7,498,305
Net Position, End of Year	\$ 5,720,364	\$ 6,569,516

Hodgeman County Health Center
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Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	2016	2015
Operating Activities		
Receipts from and on behalf of patients	\$ 7,569,278	\$ 6,481,496
Payments to suppliers and contractors	(3,256,243)	(3,242,269)
Payments to employees	(4,617,587)	(3,957,091)
Other receipts, net	208,241	216,553
	<u>(96,311)</u>	<u>(501,311)</u>
Noncapital Financing Activities		
Noncapital appropriations - Hodgeman County	300,000	300,000
Noncapital contributions and grants received	33,618	13,564
Interest paid	(42)	(823)
	<u>333,576</u>	<u>312,741</u>
Capital and Related Financing Activities		
Principal paid on long-term debt	(159,295)	(141,317)
Interest paid on long-term debt	(24,967)	(31,358)
Proceeds from sale of capital assets	-	2,800
Purchase of capital assets	(40,878)	(22,077)
	<u>(225,140)</u>	<u>(191,952)</u>
Investing Activities		
Interest income received	8,135	4,036
	<u>20,260</u>	<u>(376,486)</u>
Increase (Decrease) in Cash	20,260	(376,486)
Cash, Beginning of Year	1,281,049	1,657,535
Cash, End of Year	\$ 1,301,309	\$ 1,281,049
Reconciliation of Cash to the Balance Sheets		
Cash in current assets	\$ 1,050,769	\$ 938,654
Cash restricted for debt service	250,540	342,395
	<u>\$ 1,301,309</u>	<u>\$ 1,281,049</u>
Total cash	\$ 1,301,309	\$ 1,281,049

Hodgeman County Health Center
A Component Unit of Hodgeman County, Kansas
Statements of Cash Flows (Continued)
Years Ended December 31, 2016 and 2015

	2016	2015
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (1,167,673)	\$ (1,215,799)
Depreciation	451,761	467,612
Loss on disposal of capital assets	-	11,042
Provision for uncollectible accounts	16,163	311,138
Changes in operating assets and liabilities		
Patient accounts receivable, net	107,983	(349,943)
Estimated amounts due from/to third-party payers	283,000	293,000
Supplies and prepaid expenses	143,470	(89,234)
Accounts payable and accrued expenses	68,985	70,873
Net cash used in operating activities	\$ (96,311)	\$ (501,311)
Supplemental Cash Flows Information		
Capital lease obligation incurred for capital assets	\$ -	\$ 79,000

Hodgeman County Health Center
A Component Unit of Hodgeman County, Kansas
Notes to Financial Statements
December 31, 2016 and 2015

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

Hodgeman County Health Center (Health Center) is located in Jetmore, Kansas. The Health Center is a component unit of Hodgeman County (County) and governed by a Board of Trustees appointed by the county commissioners. The Health Center consists of a hospital, long-term care unit, clinics and independent living units (Bramley Place). The Health Center provides inpatient, outpatient and emergency care services to patients/residents in the Hodgeman County area.

Basis of Accounting and Presentation

The financial statements of the Health Center have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally tax appropriations) 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 county appropriations, interest income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Health Center first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is 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 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 those estimates.

Cash Equivalents

The Health Center considers all liquid investments with original maturities of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2016 and 2015.

Hodgeman County Health Center
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Notes to Financial Statements

December 31, 2016 and 2015

Noncapital Appropriations – Hodgeman County

The Health Center received approximately 4% of its financial support from the proceeds on noncapital appropriations from Hodgeman County in both 2016 and 2015. One hundred percent of these funds were used to support operations in both years.

Property taxes are levied by the County and shared with the Health Center for operational purposes. Taxes are assessed by the County in November of one year and are received beginning in January of the following year. Noncapital appropriations revenue is recognized in full in the year in which use is first permitted.

Risk Management

The Health Center 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; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded commercial coverage in any of the three preceding years.

Patient Accounts Receivable

The Health Center reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Health Center 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 cost, determined using the first-in, first-out method.

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 Health Center:

Land improvements	7 – 25 years
Buildings	5 – 40 years
Fixed equipment	5 – 20 years
Moveable equipment	3 – 20 years

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Compensated Absences

Health Center 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.

Net Position

Net position of the Health Center is classified in three components. Net investments 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. Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Health Center, including amounts on deposit as required by the bond indenture. Unrestricted net position is the remaining assets net position that does not meet the definition of net investment in capital assets or restricted net position.

Net Patient Service Revenue

The Health Center has agreements with third-party payers that provide for payments to the Health Center 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 Health Center provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Health Center does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

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Income Taxes

As an essential government function of the County, the Health Center is exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

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 in the cost reporting period beginning in the federal fiscal year in which meaningful use criteria have been met. The Medicare incentive payment is for qualifying costs of the purchase of certified EHR technology multiplied by the Health Center's Medicare share fraction, which includes a 20% incentive. This payment is an acceleration of amounts that would have been received in future periods based on reimbursable costs incurred, including depreciation. If meaningful use criteria are not met in future periods, the Health Center is subject to penalties that would reduce future payments for services. 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. 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.

The Health Center has recognized incentive payment revenue received for qualified EHR technology expenditures during 2015, which was the period during which management was reasonably assured meaningful use was achieved and the earnings process was complete. Management believes the incentive payments reflect a change in how "allowable costs" are determined in paying CAHs for providing services to Medicare beneficiaries. The Health Center recorded revenue of \$0 and \$23,614, which is recorded in net patient service revenue in the statements of revenues, expenses and changes in net position for the years ended December 31, 2016 and 2015, respectively.

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Notes to Financial Statements
December 31, 2016 and 2015

Note 2: Net Patient Service Revenue

The Health Center has agreements with third-party payers that provide for payments to the Health Center 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, skilled swing-bed and outpatient services rendered to Medicare program beneficiaries are paid at one hundred one percent (101%) of allowable costs subject to certain limitations. The Health Center is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Health Center and audits thereof by the Medicare administrative contractor. The clinics are recognized as rural health clinics (RHC). Under RHC rules, clinic services are paid based on allowable costs subject to certain limitations. Tentative reimbursement and final settlement is determined in a similar manner as for hospital services. Beginning April 1, 2013, a mandatory payment reduction, known as sequestration, of 2% went into effect. Under current legislation, sequestration is scheduled to last until 2025.

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. The Health Center is reimbursed at tentative rates with final settlements determined after submission of annual cost reports by the hospital and reviews thereof by the Kansas Department of Health and Environment.

Services rendered for long-term care facility residents are reimbursed under a cost-based prospective reimbursement methodology. The Health Center is reimbursed at a prospective rate with annual cost reports submitted to the Medicaid program. Rates are computed each calendar quarter using an average of the 2010, 2011 and 2012 cost reports and changes in the Medicaid resident case mix. Effective July 1, 2016, rates were rebased using an average of the 2013, 2014 and 2015 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.

Approximately 50% and 46% of net patient service revenues are from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2016 and 2015, 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 Health Center has also entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to the Health Center under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

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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 Health Center'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 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, 2016 and 2015, none of the Health Center's deposits (checking and savings accounts and certificates of deposit) were exposed to custodial credit risk.

All certificates of deposit have maturities of one year or less and are reported at cost, which approximates fair value.

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

	2016	2015
Carrying value		
Deposits	\$ 1,375,452	\$ 1,354,930
Petty cash	700	700
	\$ 1,376,152	\$ 1,355,630
Included in the following balance sheet captions		
Cash	\$ 1,050,769	\$ 938,654
Cash restricted for debt service	121,005	217,786
Noncurrent cash and certificate of deposit	204,378	199,190
	\$ 1,376,152	\$ 1,355,630

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Notes to Financial Statements

December 31, 2016 and 2015

Note 4: Patient Accounts Receivable

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

	<u>2016</u>	<u>2015</u>
Medicare	\$ 313,262	\$ 453,591
Medicaid	9,239	27,570
Blue Cross	37,403	118,377
Other third-party payers	344,155	334,496
Self-pay	451,668	410,458
	<u>1,155,727</u>	<u>1,344,492</u>
Less allowance for uncollectible accounts	<u>299,888</u>	<u>364,507</u>
Patient accounts receivable, net	<u>\$ 855,839</u>	<u>\$ 979,985</u>

Note 5: Capital Assets

Capital assets activity for the years ended December 31 was:

	<u>2016</u>				
	<u>Beginning</u>				<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance</u>
Land improvements	\$ 87,113	\$ -	\$ -	\$ -	\$ 87,113
Buildings	7,192,446	-	-	-	7,192,446
Fixed equipment	897,969	-	-	-	897,969
Moveable equipment	2,154,987	40,878	-	8,690	2,204,555
Construction in progress	8,690	-	-	(8,690)	-
	<u>10,341,205</u>	<u>40,878</u>	<u>-</u>	<u>-</u>	<u>10,382,083</u>
Less accumulated depreciation					
Land improvements	56,117	2,756	-	-	58,873
Buildings	2,912,198	199,549	-	-	3,111,747
Fixed equipment	634,048	83,498	-	-	717,546
Moveable equipment	1,553,875	165,958	-	-	1,719,833
	<u>5,156,238</u>	<u>451,761</u>	<u>-</u>	<u>-</u>	<u>5,607,999</u>
Capital assets, net	<u>\$ 5,184,967</u>	<u>\$ (410,883)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,774,084</u>

Hodgeman County Health Center
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Notes to Financial Statements

December 31, 2016 and 2015

	2015				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Land improvements	\$ 87,113	\$ -	\$ -	\$ -	\$ 87,113
Buildings	7,188,279	4,167	-	-	7,192,446
Fixed equipment	897,969	-	-	-	897,969
Moveable equipment	2,003,237	79,000	(34,606)	107,356	2,154,987
Construction in progress	98,136	17,910	-	(107,356)	8,690
	<u>10,274,734</u>	<u>101,077</u>	<u>(34,606)</u>	<u>-</u>	<u>10,341,205</u>
Less accumulated depreciation					
Land improvements	53,347	2,770	-	-	56,117
Buildings	2,712,788	199,410	-	-	2,912,198
Fixed equipment	550,551	83,497	-	-	634,048
Moveable equipment	1,392,704	181,935	(20,764)	-	1,553,875
	<u>4,709,390</u>	<u>467,612</u>	<u>(20,764)</u>	<u>-</u>	<u>5,156,238</u>
Capital assets, net	<u>\$5,565,344</u>	<u>\$ (366,535)</u>	<u>\$ (13,842)</u>	<u>\$ -</u>	<u>\$5,184,967</u>

Note 6: Medical Malpractice Coverage and Claims

The Health Center 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 Health Center's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the future.

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Notes to Financial Statements
December 31, 2016 and 2015

Note 7: Long-term Debt

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

	2016				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Revenue bonds payable	\$ 330,000	\$ -	\$ 75,000	\$ 255,000	\$ 80,000
Capital lease obligations	198,729	-	84,295	114,434	76,238
	<u>\$ 528,729</u>	<u>\$ -</u>	<u>\$ 159,295</u>	<u>\$ 369,434</u>	<u>\$ 156,238</u>

	2015				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Revenue bonds payable	\$ 400,000	\$ -	\$ 70,000	\$ 330,000	\$ 75,000
Capital lease obligations	191,046	79,000	71,317	198,729	84,295
	<u>\$ 591,046</u>	<u>\$ 79,000</u>	<u>\$ 141,317</u>	<u>\$ 528,729</u>	<u>\$ 159,295</u>

Revenue Bonds Payable

Revenue bonds payable consists of Limited Care Residential Facility Revenue Bonds (Bonds) in the original amount of \$1,100,000 dated March 1, 1999, with remaining interest rates of 5.5% and 5.7%. The Bonds are payable in annual installments of principal and interest through March 1, 2019. The Bonds are payable solely from the net revenues of the Health Center and cash and certificates of deposit restricted for debt service. The Bonds do not constitute a general obligation of the County.

The debt service requirements as of December 31, 2016, are as follows:

Year Ending December 31,	Total to be Paid	Principal	Interest
2017	\$ 92,255	\$ 80,000	\$ 12,255
2018	92,553	85,000	7,553
2019	92,565	90,000	2,565
	<u>\$ 277,373</u>	<u>\$ 255,000</u>	<u>\$ 22,373</u>

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Cash and certificates of deposit relative to the Bonds at December 31 are summarized as follows:

	2016	2015
Principal and interest fund	\$ 121,005	\$ 217,786
Bond reserve fund	119,639	119,332
Depreciation replacement fund	84,739	79,858
	325,383	416,976
Less current portion	121,005	217,786
	\$ 204,378	\$ 199,190

Capital Lease Obligations

The Health Center is obligated under leases for equipment that are accounted for as capital leases. At the end of the lease terms, the leased assets become the assets of the Health Center. Assets under capital leases at December 31, 2016 and 2015, totaled \$152,629 and \$225,549, respectively, net of accumulated depreciation of \$367,225 and \$294,037, respectively. The following is a schedule by year of future minimum lease payments under the capital lease including interest at rates approximating 6% together with the present value of the future minimum lease payments as of December 31, 2016:

Year Ending December 31,	
2017	\$ 80,996
2018	18,069
2019	18,069
2020	4,533
Total minimum lease payments	121,667
Less amount representing interest	7,233
Present value of future minimum lease payments	\$ 114,434

Note 8: Defined Contribution Plan

The Health Center contributes to a defined contribution pension plan covering substantially all employees. Pension expense is recorded for the amount of the Health Center's required contributions, determined in accordance with the terms of the plan. The plan is administered by the Board of Trustees. The plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the Health Center's governing body. The Health Center's contribution rate was 3% for both 2016 and 2015. Contributions actually made by plan members and the Health Center aggregated \$134,690 and \$56,466 for 2016 and \$125,922 and \$52,587 for 2015, respectively.