

**WEISBROD MEMORIAL COUNTY HOSPITAL  
AND THE  
KIOWA COUNTY HOSPITAL DISTRICT**

---

**FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**



**RECEIVED**

*By the Office of the State Auditor at 9:47 am, Jun 28, 2017*

# Amanda L. Brown

*Certified Public Accountant*

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Weisbrod Memorial County Hospital and the  
Kiowa County Hospital District

I have audited the accompanying financial statements of Weisbrod Memorial County Hospital and the Kiowa County Hospital District as of and for the years ended December 31, 2016 and 2015, and the related notes to the 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**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Weisbrod Memorial County Hospital and the Kiowa County Hospital District as of December 31, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Weisbrod Memorial County Hospital and the Kiowa County Hospital District's basic financial statements. The other supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Amanda L. Brown, CPA*

Eads, Colorado  
June 20, 2017

WEISBROD MEMORIAL COUNTY HOSPITAL  
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FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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WEISBROD MEMORIAL COUNTY HOSPITAL  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016

The discussion and analysis of Weisbrod Memorial County Hospital and the Kiowa County Hospital District financial performance provides an overview and analysis of the Hospital District's financial activities for the year ended on December 31, 2016. It should be read in conjunction with the accompanying basic financial statements.

**FINANCIAL HIGHLIGHTS**

- The Hospital's total net position increased by \$1,047,311, or 24% during the year.
- Operating expenses increased by \$224,967 from \$5,709,180 to \$5,934,147 and operating revenue increased by \$28,816 from \$5,817,690 to \$5,846,506.
- Non-operating revenues and expenses, which includes taxes and grants increased by \$297,862 from \$837,090 to \$1,134,952.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – management's discussion and analysis, the basic financial statements, and other supplementary information.

**Management's Discussion and Analysis** is designed to assist the reader in focusing on significant financial issues and provide an overview of the District's financial activities.

**Notes to the basic Financial Statements** provide additional information that is essential to a full understanding of the data provided in the financial statements.

**Other Supplementary Information** includes the Schedule of Revenues and Direct Expenses – Revenue Centers.

**DISTRICT FINANCIAL STATEMENTS**

The Financial Statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private sector business. Because the predominate source of revenues is from user fees, the financial statements are treated as an Enterprise Fund (proprietary). The statements are prepared utilizing the accrual basis of accounting, which presents the flow of economic resources.

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The Statement of Net Position presents information on all the District's Assets and Liabilities and classifies them as current and non-current. It also provides the basis for evaluation of the capital structure of the District and for assessing its liquidity and financial flexibility. Over time, increases and decreases in Net Position serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing the results of operations, tax support, contributions and grants during the fiscal year. All changes in revenues and expenses are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Some revenues and expenses are reported in the statement that will result in cash flows in future fiscal periods (for example, uncollected taxes and uncompensated absences) or result from past cash flows (for example, prepaid insurance). This statement measures the District's operations and can be used to determine whether the District has been able to recover all of its operating costs from patient services and other operating revenues sources.

The Statement of Cash Flows is to provide information about the District's cash from operating, non-capital financing, capital and related financing and investing activities. It provides answers to questions, such as what were the District's sources of cash, uses of cash, and the change in the cash balances during the reporting period.

The Notes to the Financial Statements provide additional information that is essential for a full understanding of the financial statements. The notes also present certain required supplemental information such as capital asset activity and long term contracts and commitments.

**OPERATING AND FINANCIAL HIGHLIGHTS**

The Statements of Net Position and the Statement of Revenues, Expenses and Changes in Net Position provide an indication of the District's financial condition.

WEISBROD MEMORIAL COUNTY HOSPITAL  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016

CONDENSED STATEMENT OF NET POSITION

	2016	2015	2014
Current Assets	\$ 3,878,798	\$ 3,100,472	\$ 2,459,466
Restricted Assets	165,684	165,435	165,187
Donor Restricted Assets	54,542	52,896	39,999
Capital Assets, net	1,927,422	1,948,771	1,455,321
Total Assets	<u>6,026,446</u>	<u>5,267,574</u>	<u>4,119,973</u>
Deferred Outflows of Resources	<u>504,769</u>	<u>556,237</u>	<u>524,331</u>
Current Liabilities	448,097	518,810	461,085
Long Term Liabilities	46,392	131,734	113,597
Total Liabilities	<u>494,489</u>	<u>650,544</u>	<u>574,682</u>
Deferred Inflows of Resources	<u>504,769</u>	<u>688,621</u>	<u>530,576</u>
Investment in Capital Assets	1,795,687	1,705,815	1,292,687
Restricted	183,311	196,080	184,670
Unrestricted	3,552,959	2,582,751	2,061,689
Total Net Position	<u>\$ 5,531,957</u>	<u>\$ 4,484,646</u>	<u>\$ 3,539,046</u>

The above Condensed Statement of Net Position indicates an increase in total assets for the year of \$758,872. Current assets increased by \$778,326 and net capital assets decreased by \$21,349. Total liabilities decreased by \$156,055 and net position increased by \$1,047,311.

The following Statement of Revenues, Expenses and Changes in Net Position shows an increase in operating Revenues of \$28,816 and an increase in operating expenses of \$224,967. Non operating revenues and expenses increased by \$297,862. The change in net position was \$1,047,311, which was up from the prior year by \$101,711.

WEISBROD MEMORIAL COUNTY HOSPITAL  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016

CONDENSED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating Revenues	\$5,846,506	\$5,817,690	\$5,174,275
Operating Expenses			
Salaries and Expenses - Revenue Centers	3,370,338	3,270,198	3,179,594
Salaries and Expenses - Non Revenue Centers	2,260,327	2,185,673	2,073,394
Depreciation	<u>303,482</u>	<u>253,309</u>	<u>201,275</u>
Total Operating Expenses	5,934,147	5,709,180	5,454,263
Non Operating Revenues (Expenses)	1,134,952	837,090	978,107
Gain (Loss) on Disposal of Assets	<u>-</u>	<u>-</u>	<u>(5,382)</u>
Change in Net Position	1,047,311	945,600	692,737
Net Position, Beginning of Year	<u>4,484,646</u>	<u>3,539,046</u>	<u>2,846,309</u>
Net Position, End of Year	<u><u>\$5,531,957</u></u>	<u><u>\$4,484,646</u></u>	<u><u>\$3,539,046</u></u>

**BUDGETARY HIGHLIGHTS**

Budgeted revenues were \$5,793,088 compared to actual revenues of \$6,996,045, a difference of \$1,202,957. Total actual expenditures of \$6,038,606 were less than budgeted expenditures of \$6,110,359.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

As of December 31, 2016, the Hospital's investment in capital assets net of accumulated depreciation was \$1,927,422. Capital assets included both buildings and equipment as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Land	\$ 5,000	\$ 5,000	\$ 5,000
Construction in Progress	247,972	16,500	-
Buildings	1,872,150	1,872,150	1,872,150
Equipment	<u>2,537,043</u>	<u>2,486,382</u>	<u>1,756,123</u>
Total	4,662,165	4,380,032	3,633,273
Accumulated Depreciation	<u>(2,734,743)</u>	<u>(2,431,261)</u>	<u>(2,177,952)</u>
Total Capital Assets, net of Depreciation	<u><u>\$ 1,927,422</u></u>	<u><u>\$ 1,948,771</u></u>	<u><u>\$ 1,455,321</u></u>

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This year's major capital asset additions included:

- Construction in Progress \$231,472
- Computer Switches \$8,147
- Vital Sign Monitors \$5,853
- Coding Software \$12,391
- Rycan Billing System \$8,500
- EMR Software \$15,770

**Long-Term Debt** – As of December 31, 2016 the Hospital's long-term debt consisted of capital leases in the amount of \$131,735 with annual payments of \$91,409 due in 2017.

**ECONOMIC FACTORS AND 2017 BUDGET AND RATES**

- There was no increase in patient days projected.
- Property tax revenues were projected at the current year level

Expenditures for capital projects are budgeted at \$534,500 which includes the purchase of HepaCard Filter System, RO & Water Softener, CT Scan Project, Stand-up Desk Units, Lab Machine, Apartment Renovations, and Office Remodeling.

Total revenues were budgeted at \$6,226,647 which is a decrease of \$769,398 from current year actual revenue. Budgeted expenditures of \$6,547,902 represent an increase of \$509,296 from current year actual expenditures.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide the citizens, taxpayers, customers and investors and creditors of the Hospital District of Kiowa County, Colorado a general overview of the Hospital's finances and to demonstrate the Hospital's accountability. If you have questions about this report or need additional financial information, contact the Weisbrod Memorial County Hospital, P. O. Box 817, Eads, Colorado 81036.

**WEISBROD MEMORIAL COUNTY HOSPITAL  
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STATEMENT OF POSITION  
DECEMBER 31, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 954,762	\$ 1,073,031
Cash with County Treasurer	6,183	8,397
Investments	591,626	588,995
Accounts Receivable	1,459,274	1,256,632
Allowance for Doubtful Accounts	(450,000)	(440,852)
Estimated Third-Party Settlements	537,281	348,860
E.H.R. Incentive Payment Receivable	497,215	-
Grant Receivable	84,168	-
Inventory	131,288	138,651
Prepaid Expense	63,801	123,558
Investment in Mineral Rights	3,200	3,200
<b>Total Current Assets</b>	<b>3,878,798</b>	<b>3,100,472</b>
<b>RESTRICTED ASSETS</b>		
Emergency Reserve	165,684	165,435
<b>DONOR RESTRICTED ASSETS</b>		
Memorial	48,521	44,352
Resident Funds	3,987	3,989
Employee Fund	2,034	4,555
<b>Total Donor Restricted Assets</b>	<b>54,542</b>	<b>52,896</b>
<b>CAPITAL ASSETS</b>		
Land	5,000	5,000
Construction in Progress	247,972	16,500
Buildings	1,872,150	1,872,150
Equipment	2,537,043	2,486,382
Less Accumulated Depreciation	(2,734,743)	(2,431,261)
<b>Total Capital Assets</b>	<b>1,927,422</b>	<b>1,948,771</b>
<b>Total Assets</b>	<b>6,026,446</b>	<b>5,267,574</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Property Taxes Receivable	504,769	556,237
<b><u>LIABILITIES</u></b>		
<b>CURRENT LIABILITIES</b>		
Long Term Debt, Current Portion	85,343	111,222
Accounts Payable	103,415	151,534
Accrued Liabilities	113,625	110,469
Accrued Vacation and Sick Pay	139,693	137,041
Employee Fund Payable	2,034	4,555
Residents Payable	3,987	3,989
<b>Total Current Liabilities</b>	<b>448,097</b>	<b>518,810</b>
<b>LONG TERM LIABILITIES</b>		
Long Term Debt, Less Current Portion Above	46,392	131,734
<b>Total Liabilities</b>	<b>494,489</b>	<b>650,544</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Deferred Revenue - Property Taxes	504,769	556,237
Deferred Revenue - Grants	-	132,384
<b>Total Deferred Inflows of Resources</b>	<b>504,769</b>	<b>688,621</b>
<b><u>NET POSITION</u></b>		
Investment in Capital Assets, net of related debt	1,795,687	1,705,815
Restricted - Emergency Reserve	183,311	196,080
Unrestricted	3,552,959	2,582,751
<b>Total Net Position</b>	<b>\$ 5,531,957</b>	<b>\$ 4,484,646</b>

The accompanying notes are an integral part of this statement.

**WEISBROD MEMORIAL COUNTY HOSPITAL AND THE  
KIOWA COUNTY HOSPITAL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>OPERATING REVENUES</b>		
Charges - Revenue Centers	\$4,708,726	\$5,193,547
Provider Fee	963,526	633,860
Contractual Adjustments & Bad Debts	<u>(366,943)</u>	<u>(289,621)</u>
Net Patient Revenue	5,305,309	5,537,786
Cafeteria Sales	7,332	6,707
E.H.R. Incentive Payments	497,215	237,930
Other Revenues	<u>36,650</u>	<u>35,267</u>
<b>TOTAL OPERATING REVENUES</b>	<u>5,846,506</u>	<u>5,817,690</u>
<b>OPERATING EXPENSES</b>		
Salaries and Expenses - Revenue Centers	3,370,338	3,270,198
Administration	177,893	170,593
Business Office	341,874	383,795
Information Technology	72,973	71,120
Food Service	261,923	258,795
Plant Maintenance	257,253	210,779
Housekeeping	108,091	131,226
Medical Records	40,003	37,514
Laundry	37,378	47,577
Nursing Administration	163,795	117,035
Depreciation	303,482	253,309
Employee Benefits	686,910	636,417
Insurance	43,646	50,011
Social Service & Activities	<u>68,588</u>	<u>70,811</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>5,934,147</u>	<u>5,709,180</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(87,641)</u>	<u>108,510</u>
<b>NON OPERATING REVENUES (EXPENSES)</b>		
District Taxes	638,191	615,139
County Taxes	198,151	198,151
Contributions	4,080	24,286
Grant	302,718	30,965
Rent	1,567	1,598
Interest Expense	(14,587)	(37,965)
Interest Income	<u>4,832</u>	<u>4,916</u>
<b>TOTAL NON OPERATING REVENUES (EXPENSES)</b>	<u>1,134,952</u>	<u>837,090</u>
<b>Change in Net Position</b>	1,047,311	945,600
<b>Net Position, Beginning of the Year</b>	<u>4,484,646</u>	<u>3,539,046</u>
<b>Net Position, End of the Year</b>	<u><u>\$5,531,957</u></u>	<u><u>\$4,484,646</u></u>

The accompanying notes are an integral part of this statement.

**WEISBROD MEMORIAL COUNTY HOSPITAL AND THE  
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STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts From Patients and Third-Party Payors	4,967,376	5,270,686
Payments to Suppliers and Other Providers	(2,733,085)	(2,716,595)
Payments to Employees	(2,872,771)	(2,730,515)
Decrease in Restricted Cash - Resident & Employee Funds	(2,523)	1,027
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>(641,003)</b>	<b>(175,397)</b>
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:</b>		
Property Taxes	836,342	813,290
Grant	40,579	32,104
Contributions	4,080	24,286
Rent	1,567	1,598
<b>NET CASH PROVIDED (USED) BY NON CAPITAL AND FINANCING ACTIVITIES</b>	<b>882,568</b>	<b>871,278</b>
<b>CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:</b>		
Long Term Debt Proceeds		200,000
Long Term Debt Payments	(111,221)	(119,678)
Short Term Debt Proceeds	-	200,000
Short Term Debt Payments	-	(200,000)
Interest	(14,587)	(37,965)
Grant	45,587	125,000
Acquisitions of Capital Assets	(282,133)	(746,759)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(362,354)</b>	<b>(579,402)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Redemption (Purchase) of Investments	(2,880)	(2,778)
Interest on Investments	4,832	4,916
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>1,952</b>	<b>2,138</b>
Net Increase (Decrease) in Cash and Cash Equivalents	(118,837)	118,617
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of Year	1,134,324	1,015,707
Ending of Year	<b>\$1,015,487</b>	<b>\$1,134,324</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used) Operating Activities</b>		
Net Operating Income (Loss)	(\$87,641)	\$108,510
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	303,482	253,309
Changes in Assets and Liabilities		
(Increase) Decrease in Accounts Receivable	(193,494)	(154,767)
(Increase) Decrease in Medicare Cost Report Receivable	(188,421)	(392,237)
(Increase) Decrease in E.H.R. Incentive Receivable	(497,215)	
(Increase) Decrease in Inventory	7,363	13,559
(Increase) Decrease in Prepaid Expenses	59,757	689
Increase (Decrease) in Accounts Payable	(48,119)	8,320
Increase (Decrease) in Accrued Liabilities	3,156	(4,202)
Increase (Decrease) in Accrued Vacation	2,652	(9,605)
Increase (Decrease) in Employee Fund Payable	(2,521)	(40)
Increase (Decrease) in Resident Fund Payable	(2)	1,067
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>(\$641,003)</b>	<b>(\$175,397)</b>

The accompanying notes are an integral part of this statement.

WEISBROD MEMORIAL COUNTY HOSPITAL  
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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Weisbrod Memorial County Hospital and the Kiowa County Hospital District have been prepared in conformity generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

Consolidations:

Prior to 1963, Kiowa County, Colorado owned and operated the Weisbrod Memorial County Hospital. In 1963 the Kiowa County Hospital District was organized for the purpose of issuing bonds to build a new Hospital wing. On June 18, 1965, a service agreement, which is still in effect, was entered into between the County and the District, whereby the County agreed to assign its facilities to the Hospital District in return for the District's agreement to manage and operate the facilities and to provide adequate and efficient hospital and medical services to the citizens of both governmental units. The agreement further stipulates that all revenues from operations belong to the District, and that the County shall provide additional funds to the District to be used whenever District funds are not sufficient to meet expenditures. In 1970, the County, through the Public Works Fund, constructed a new wing to the nursing home. Since the present combined hospital and nursing home facility is operated by the District, all of the fixed assets which are the property of both the County and the District have been included in these financial statements.

The District has no component units using the criteria as set forth in generally accepted accounting principles.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentations

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with an enterprise fund's ongoing operations. The principal operating revenues of the Hospital are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Hospital's policy to use restricted resources first, then unrestricted resources, as they are needed.

C. Fund Accounting

The Hospital accounting system consists of one general operating fund. The fund has a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenses. The generic fund type is the enterprise fund and the broad fund category is a proprietary fund type.

Proprietary Funds

Enterprise Funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

D. Inventory

The inventories are valued at cost or market, whichever is lower. Cost is determined by the first-in, first-out method.

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NOTES TO FINANCIAL STATEMENTS  
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E. Capital Assets

Capital assets, which include property, plant, vehicles, and equipment, are capitalized at actual or estimated costs. Donations of such assets are recorded at estimated fair value at the time of donation.

Maintenance, repairs, and minor renovations are recorded as expenditures when incurred. Major additions and improvements are capitalized. The Hospital reports gains and losses on the disposal of capital assets (carrying value less sale proceeds, if any) in the statement of revenues, expenses, and changes in net assets. Interest incurred during the construction phase of capital assets is included in the capitalized value of the assets constructed.

Capital assets are defined by the Hospital as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. The Hospital's capital assets are depreciated using the straight-line method over the estimated useful lives of the fixed assets. Depreciation of all capital assets is charged as an expense against operations. Estimated useful lives are as follows:

Buildings	30-40 years
Improvements	10-15 years
Equipment	5-20 years

F. Property Taxes

Property taxes are levied, assessed, become due and attach as an enforceable lien on property as of January 1. Taxpayers have the option of paying their taxes in full on or before April 30, or in paying in two installments of one half due by February 28 with the remaining one half due by June 15. Unpaid taxes become delinquent as of August 1 and are subject to collection procedures on or after October 1. The County bills and collects property taxes for the District.

G. Compensated Absences

Vacation and sick pay are accrued according to the Hospital's vacation and sick leave policies at the employee's prevailing wages as of December 31, 2016.

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H. Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy at amounts less than its established rates. In assessing a patient's ability or inability to pay, the Hospital utilizes an income scale. Charity services are not included in net patient revenues.

(2) Budget and Budgetary Accounting

Prior to October 15, the budget is prepared by the administration and staff of the Hospital and is submitted to the Hospital board of directors. After conducting a public hearing, the budget is approved by the board of directors and legally enacted through passage of a resolution.

Budgets are adopted on a non generally accepted accounting principles (GAAP) basis of accounting.

Budgets may be amended during the year by supplemental appropriation. Final amended budgets are included herein. All appropriations lapse at year end.

(3) Deposits and Investments

For the purposes of the statement of cash flows, the Hospital considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Deposits

The Hospital's deposits and cash on hand at December 31, 2016 are shown below.

Cash on hand	\$ 575
Cash with County Treasurer	6,183
Cash in savings and checking accounts	1,008,729
Certificates of Deposit	<u>757,310</u>
Total	<u>\$1,772,797</u>

A reconciliation of the Hospital's deposits as shown on the Statement of Net Position follows:

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Cash and Cash Equivalents	\$ 954,762
Cash with County Treasurer	6,183
Investments	591,626
Restricted Cash – Memorial	48,521
Restricted Cash – Resident Funds	3,987
Restricted Cash – Employee Fund	2,034
Restricted Cash – Emergency Reserve	<u>165,684</u>
Total	<u>\$1,772,797</u>

*Custodial Credit Risk.* Deposits are exposed to custodial credit risk (the risk that, in the event of the failure of a depository financial institution, the government would not be able to recover deposits or would not be able to recover collateral securities that are in the possession of an outside party), if they are not covered by depository insurance and are collateralized with securities held by the pledging financial institution, except for deposits collateralized by certain types of collateral pools including a single financial institution collateral pool where the fair value of the pool is equal to or exceeds all uninsured public deposits held by the financial institution (e.g. deposits insured by The Public Deposit Protection Act (PDPA)). Accordingly, none of the Hospital’s deposits as of December 31, 2016 are deemed to be exposed to custodial credit risk.

All Hospital investments are held in bank certificates of deposits. These certificates are either insured by FDIC or are covered under The Public Deposit Protection Act and are not exposed to any other investment risks.

The Hospital has no formal policy that limits allowable deposits or investments or addresses specific types of risk to which the government may be exposed.

Colorado statutes specify in which instruments the local government may invest, which include:

1. Repurchase agreements in obligations of the United States;
2. Obligations of the United States or obligations unconditionally guaranteed by the United States;
3. General obligation or revenue bonds of any state, District of Columbia, U.S. territory or any of their subdivisions, with certain limitations;
4. Bankers acceptance issued by a state or national bank, with certain limitations;
5. Commercial paper, with certain limitations;
6. Any obligation, certificate of participation or lease/purchase of the investing public entity;
7. Money market fund, with certain limitations, which invest in the types of securities

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listed above;

8. Guaranteed investment contracts, with certain limitations;

9. Participation with other local governments in pooled investment funds (trusts). These trusts are supervised by participating governments, and must comply with the same restrictions on cash deposits and investments. These trusts are "Colotrust", "Jefftrust" and "CSafe".

(4) Capital Assets

A summary of changes in capital assets is as follows:

	<u>Dec. 31, 2015</u>	<u>Additions</u>	<u>Transfers Deletions</u>	<u>Dec. 31, 2016</u>
Non-Depreciable assets:				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Construction In Progress	16,500	231,472	-	247,972
Total non-depreciable assets	<u>\$ 21,500</u>	<u>\$ 231,472</u>	<u>\$ -</u>	<u>\$ 252,972</u>
Depreciable assets:				
Buildings	\$ 1,872,150	\$ -	\$ -	\$ 1,872,150
Equipment	2,486,382	50,661	-	2,537,043
Total depreciable assets	<u>\$ 4,358,532</u>	<u>\$ 50,661</u>	<u>\$ -</u>	<u>\$ 4,409,193</u>
Total capital assets	<u>\$ 4,380,032</u>	<u>\$ 282,133</u>	<u>\$ -</u>	<u>\$ 4,662,165</u>
Less accumulated depreciation for:				
Buildings	\$ (1,264,891)	\$ (65,687)	\$ -	\$ (1,330,578)
Equipment	(1,166,370)	(237,795)	-	(1,404,165)
Total accumulated depreciation	<u>\$ (2,431,261)</u>	<u>\$ (303,482)</u>	<u>\$ -</u>	<u>\$ (2,734,743)</u>
Total capital assets, net	<u>\$ 1,948,771</u>	<u>\$ (21,349)</u>	<u>\$ -</u>	<u>\$ 1,927,422</u>

(5) Long Term Debt

The Hospital has entered into lease purchases for equipment with a cost totaling \$400,249. Following is a schedule of the future minimum lease payments under the capitalized leases.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	85,343	6,066	91,409
2018	46,392	1,324	47,716
Total	<u>\$131,735</u>	<u>\$ 7,390</u>	<u>\$139,125</u>

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The changes in long-term debt during 2016 are summarized as follows:

	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Due within</u> <u>one year</u>
Capital Leases	\$ <u>242,956</u>	<u>\$ None</u>	<u>\$ 111,221</u>	<u>\$ 131,735</u>	<u>\$ 85,343</u>

(6) Pension Plans

The Hospital provides pension benefits for all of its full-time employees through a defined contribution plan administered by American United Life. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to make contributions starting with their first day of hire, but employer contributions start with their second year of service. The employer rate of contribution is a match of up to 3% of the employee's contributions for a maximum employer contribution of 3%. The Hospital's contributions for each employee (and interest allocated to the employee's account) are fully vested after five years of continuous service. Plan provisions and contribution requirements are established and may be amended by the Board of Trustees.

Both, the Hospital and the covered employees', required contributions, amounting to \$45,265 and \$72,857 for a total of \$118,122 were paid.

(7) Contractual Adjustments

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established charge rates. The amounts reported on the statement of net position as estimated settlements due to/from third-party payers consist of the estimated differences between the contractual amounts for providing covered services and the interim payments received for those services. A summary of the payment arrangements with major third-party payers follows:

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge, excluding defined costs for capital related items. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Most laboratory, surgery, radiology and certain diagnostic services rendered on an outpatient basis to Medicare beneficiaries are paid at rates consisting of a blend of rates prospectively determined

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for each procedure and the cost of those services as determined by a cost reimbursement methodology. Other outpatient services, inpatient non acute services, and defined acute inpatient capital related costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is paid for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits or reviews thereof by the Medicare fiscal intermediary. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization.

Medicaid - Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. All other services rendered to Medicaid beneficiaries are paid at prospective rates determined on either a per diem or a fee for service basis and are not subject to retroactive adjustments.

(8) Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District continues to carry commercial insurance for risks of loss, including workers' compensation, general liability and property insurance, and employee health and accident insurance. There have been no significant reductions in coverage from the prior year and settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Contingency

Tabor Compliance

In November 1992, the Colorado voters passed a constitutional amendment (Tabor Amendment) to the State Constitution (Article X, Section 20) which requires voter approval for any increases in mill levies, revenue limits and creation of multi-year debt. In addition, the amendment requires that a 3% reserve be established for emergencies.

In 1994 the District electorate passed a ballot measure to allow the District to collect and spend excess revenues received in 1993 and subsequent years without limitations to the provisions of Article X, Section 20 of the Colorado Constitution. During 1996 the District held an election and the voter's passed a measure to allow the District to increase its

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revenue and spending limitations in order to receive and expend additional revenues.

The District has restricted net position of \$183,311 for the emergency reserve under the Tabor Amendment.

The Hospital believes that it is in compliance with the provisions of the Tabor Amendment. However, many provisions of the Tabor Amendment are complex and subject to further interpretation and will require judicial interpretation.

(10) Subsequent Events

The Hospital has evaluated subsequent events for recognition or disclosure through June 20, 2017.

**WEISBROD MEMORIAL COUNTY HOSPITAL AND THE  
KIOWA COUNTY HOSPITAL DISTRICT  
SCHEDULE OF REVENUES AND EXPENSES  
BUDGET (NON-GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
<b>REVENUES:</b>				
Operating Revenues				
Charges - Revenue Centers	\$ 4,984,928	\$ 4,984,928	\$ 4,708,726	\$ (276,202)
Provider Fee	406,507	406,507	963,526	557,019
Contractual Adjustments & Bad Debts	(528,551)	(528,551)	(366,943)	161,608
	<u>4,862,884</u>	<u>4,862,884</u>	<u>5,305,309</u>	<u>442,425</u>
Cafeteria Sales	5,551	5,551	7,332	1,781
E.H.R. Meaningful Use Incentive Payments	-	-	497,215	497,215
Miscellaneous	25,199	25,199	36,650	11,451
Net Operating Revenues	<u>4,893,634</u>	<u>4,893,634</u>	<u>5,846,506</u>	<u>952,872</u>
Non-Operating Revenues				
District Taxes	632,775	632,775	638,191	5,416
County Taxes	210,220	210,220	198,151	(12,069)
Contributions	19,707	19,707	4,080	(15,627)
Grant	29,321	29,321	302,718	273,397
Rent	2,314	2,314	1,567	(747)
Interest Income	5,117	5,117	4,832	(285)
Net Non-Operating Revenues	<u>899,454</u>	<u>899,454</u>	<u>1,149,539</u>	<u>250,085</u>
<b>TOTAL REVENUES</b>	<u>5,793,088</u>	<u>5,793,088</u>	<u>6,996,045</u>	<u>1,202,957</u>
<b>EXPENDITURES:</b>				
Operating Expenses				
Salaries and Expenses-Revenue Centers	3,356,368	3,356,368	3,370,338	(13,970)
Administration	166,567	166,567	177,893	(11,326)
Business Office	326,948	326,948	341,874	(14,926)
Information Technology	80,387	80,387	72,973	7,414
Food Service	262,348	262,348	261,923	425
Plant Maintenance	220,938	220,938	257,253	(36,315)
Housekeeping	129,952	129,952	108,091	21,861
Medical Records	38,549	38,549	40,003	(1,454)
Laundry	35,418	35,418	37,378	(1,960)
Nursing Administration	113,479	113,479	163,795	(50,316)
Employee Benefits	755,320	755,320	686,910	68,410
Insurance	61,966	61,966	43,646	18,320
Social Service & Activities	71,610	71,610	68,588	3,022
Interest	14,588	14,588	14,587	1
Debt Principal Payments	111,221	111,221	111,221	-
Capital Outlay	364,700	364,700	282,133	82,567
<b>TOTAL EXPENDITURES</b>	<u>6,110,359</u>	<u>6,110,359</u>	<u>6,038,606</u>	<u>71,753</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ (317,271)</u>	<u>\$ (317,271)</u>	957,439	<u>\$ 1,274,710</u>
<b>RECONCILIATION TO GAAP BASIS</b>				
Add: Capital Expenditures			282,133	
Debt Principal Payments			111,221	
Deduct: Depreciation			(303,482)	
<b>CHANGE IN NET POSITION</b>			<u>\$ 1,047,311</u>	

The accompanying notes are an integral part of this statement.

**WEISBROD MEMORIAL COUNTY HOSPITAL  
AND THE  
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SCHEDULE OF REVENUES AND DIRECT EXPENSES - REVENUE CENTERS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

**WEISBROD MEMORIAL HOSPITAL AND THE  
KIOWA COUNTY HOSPITAL DISTRICT  
SCHEDULE OF REVENUES AND DIRECT EXPENSES - REVENUE CENTERS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<b>2016</b>		
	<u>REVENUES</u>	<u>EXPENSES</u>	<u>NET</u>
<b>HOSPITAL - REVENUE CENTERS</b>			
Nursing Care	\$ 856,340	\$ 436,156	\$ 420,184
Laboratory	652,497	193,995	458,502
X-ray	256,784	116,816	139,968
Pharmacy	451,942	254,279	197,663
Ambulance	247,226	111,462	135,764
Emergency Room	131,377	581,200	(449,823)
Physical, Speech, & Occupational Therapy	342,505	154,598	187,907
Sleep Study	29,394	7,100	22,294
Eads Clinic	531,686	683,028	(151,342)
Public Health	12,958	6,792	6,166
	<u>3,512,709</u>	<u>2,545,426</u>	<u>967,283</u>
Total Hospital Revenue Centers	3,512,709	2,545,426	967,283
<b>EXTENDED CARE UNIT- REVENUE CENTER</b>	<u>1,196,017</u>	<u>824,912</u>	<u>371,105</u>
<b>TOTAL REVENUE CENTERS</b>	<u><u>\$ 4,708,726</u></u>	<u><u>\$ 3,370,338</u></u>	<u><u>\$ 1,338,388</u></u>

NOTE: This statement includes only direct expenses; indirect expenses and non departmental expenses are not included herein.

<b>2015</b>		
<b>REVENUES</b>	<b>EXPENSES</b>	<b>NET</b>
\$ 1,026,799	\$ 438,508	\$ 588,291
786,449	201,168	585,281
312,886	127,126	185,760
613,200	329,999	283,201
171,849	92,527	79,322
159,628	534,698	(375,070)
240,856	150,736	90,120
112,199	25,800	86,399
634,093	629,372	4,721
13,154	629	12,525
4,071,113	2,530,563	1,540,550
1,122,434	739,635	382,799
\$ 5,193,547	\$ 3,270,198	\$ 1,923,349