

**CHOUTEAU COUNTY HOSPITAL DISTRICT
D/B/A/ MISSOURI RIVER MEDICAL CENTER
AND
CHOUTEAU COUNTY HEALTH CARE FOUNDATION, INC.**

FORT BENTON, MONTANA

FINANCIAL STATEMENTS

AS OF

JUNE 30, 2014 AND 2013

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Douglas Wilson & Company, P.C.

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INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying consolidated financial statements of the Chouteau County Hospital District, d/b/a/ Missouri River Medical Center and Chouteau County Health Care Foundation, Inc. as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Chouteau County Hospital District, d/b/a/ Missouri River Medical 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; 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Chouteau County Hospital District, d/b/a/ Missouri River Medical Center and Chouteau County Health Care Foundation, Inc. as of June 30, 2014 and 2013, and the changes in their financial position, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-9 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the consolidated financial statements that collectively comprise the Chouteau County Hospital District's, d/b/a/ Missouri River Medical Center and Chouteau County Health Care Foundation's basic financial statements. The Schedule of Net Patient and Resident Service Revenue, Schedule of Other Operating Revenue, Schedule of Salaries and Benefits, Schedule of Medical Supplies and Expenses and Schedule of Non-Medical Supplies and Expenses, Consolidating Statement of Net Position and Consolidating Statement of Non-Operating Revenues (Expenses) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Net Patient and Resident Service Revenue, Schedule of Other Operating Revenue, Schedule of Salaries and Benefits, Schedule of Medical Supplies and Expenses and Schedule of Non-Medical Supplies and Expenses, Consolidating Statement of Net Position and Consolidating Statement of Non-Operating Revenues (Expenses) 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 our opinion, the Schedule of Net Patient and Resident Service Revenue, Schedule of Other Operating Revenue, Schedule of Salaries and Benefits, Schedule of Medical Supplies and Expenses and Schedule of Non-Medical Supplies and Expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in cursive script that reads "Douglas Wilson + Company, P.C.".

Great Falls, Montana
December 16, 2014

**CHOUTEAU COUNTY HOSPITAL DISTRICT
D/B/A/ MISSOURI RIVER MEDICAL CENTER**

FORT BENTON, MONTANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Chouteau County Hospital District's financial performance provides an overview of the District's financial activities for the fiscal years ended June 30, 2014 and June 30, 2013. Please read it in conjunction with the District's consolidated financial statements, which begin on page 10.

Financial Highlights

The District's total assets decreased by \$201,908 (4.7 percent) from the prior year.

The District's total liabilities decreased by \$53,106 (6.4 percent) from the prior year.

The District's operating revenues decreased by \$223,161 (4.5 percent) from the prior year.

Overview of the Financial Statements

The District's financial statements consist of three statements: Consolidated Statement of Net Position, Consolidated Statement of Activities and Changes in Net Position and Consolidated Statement of Cash Flows. These consolidated financial statements and related notes provide information about the activities of the District.

**The Consolidated Statement of Net Position and
Consolidated Statement of Activities and Changes in Net Position**

Our analysis of the District's finances begins on page 10. One of the most important questions asked about the District's finances is, "Is the District as a whole better or worse off as a result of the year's activities?" The Consolidated Statement of Net Position and Consolidated Statement of Activities and Changes in Net Position report information about the District's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. You can think of the District's net position -- the difference between assets & deferred outflows of resources and liabilities & deferred inflows of resources-- as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the District.

The Consolidated Statement of Cash Flows

The final required statement is the Consolidated Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from?", "What was cash used for?", and "What was the change in cash balance during the reporting period?"

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The District's Net Assets

The District's net position is the difference between its assets and liabilities reported in the Consolidated Statement of Net Position on page 10. The District's net position decreased in the past year by \$148,802 (4.3 percent), as you can see from Table 1.

Table 1: Assets, Liabilities, and Net Position

| | <u>6/30/14</u> | <u>6/30/13</u> | <u>Change</u> | <u>%</u> |
|--|---------------------|---------------------|---------------------|----------|
| Assets: | | | | |
| Current Assets | \$ 2,227,454 | \$ 2,298,883 | \$ (71,429) | -3.1% |
| Noncurrent Cash and Investments | 836,720 | 841,114 | (4,394) | -0.5% |
| Capital Assets, Net | <u>995,462</u> | <u>1,121,547</u> | <u>(126,085)</u> | -11.2% |
| Total Assets | <u>4,059,636</u> | <u>4,261,544</u> | <u>(201,908)</u> | -4.7% |
| Liabilities: | | | | |
| Current Liabilities | 632,670 | 606,155 | 26,515 | 4.4% |
| Long-Term Liabilities | <u>139,749</u> | <u>219,370</u> | <u>(79,621)</u> | -36.3% |
| Total Liabilities | <u>772,419</u> | <u>825,525</u> | <u>(53,106)</u> | -6.4% |
| Net Position: | | | | |
| Invested In Capital Assets, Net of Related Debt | 695,770 | 756,906 | (61,136) | -8.1% |
| Restricted | 25,713 | 25,732 | (19) | -0.1% |
| Unrestricted | <u>2,565,734</u> | <u>2,653,381</u> | <u>(87,647)</u> | -3.3% |
| Total Net Position | <u>\$ 3,287,217</u> | <u>\$ 3,436,019</u> | <u>\$ (148,802)</u> | -4.3% |
| | | | | |
| | <u>6/30/13</u> | <u>6/30/12</u> | <u>Change</u> | <u>%</u> |
| Assets: | | | | |
| Current Assets | \$ 2,298,883 | \$ 2,047,188 | \$ 251,695 | 12.3% |
| Noncurrent Cash and Investments | 841,114 | 761,721 | 79,393 | 10.4% |
| Capital Assets, Net | <u>1,121,547</u> | <u>838,761</u> | <u>282,786</u> | 33.7% |
| Total Assets | <u>4,261,544</u> | <u>3,647,670</u> | <u>613,874</u> | 16.8% |
| Liabilities: | | | | |
| Current Liabilities | 606,155 | 400,064 | 206,091 | 51.5% |
| Long-Term liabilities | <u>219,370</u> | <u>22,430</u> | <u>196,940</u> | 878.0% |
| Total Liabilities | <u>825,525</u> | <u>422,494</u> | <u>403,031</u> | 95.4% |
| Net Position: | | | | |
| Invested in Capital Assets, Net of Related Debt | 756,906 | 1,446,795 | (689,889) | -47.7% |
| Restricted | 25,732 | 25,687 | 45 | 0.2% |
| Unrestricted | <u>2,653,381</u> | <u>1,752,694</u> | <u>900,687</u> | 51.4% |
| Total Net Position | <u>\$ 3,436,019</u> | <u>\$ 3,225,176</u> | <u>\$ 210,843</u> | 6.5% |

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Operating Results and Changes in the District's Net Position

Table 2: Operating Results and Changes in Net Position

| | <u>6/30/14</u> | <u>6/30/13</u> | <u>Change</u> | <u>%</u> |
|--|---------------------|---------------------|---------------------|----------|
| Operating Revenues: | | | | |
| Net Patient and Resident Service Revenue | \$ 4,677,603 | \$ 4,883,348 | \$ (205,745) | -4.2% |
| Other Revenue | 88,715 | 106,131 | (17,416) | -16.4% |
| Total Operating Revenues | <u>4,766,318</u> | <u>4,989,479</u> | <u>(223,161)</u> | -4.5% |
| Operating Expenses: | | | | |
| Salaries and Benefits | 3,740,312 | 3,406,295 | 334,017 | 9.8% |
| Medical Supplies and Expenses | 1,002,793 | 1,046,175 | (43,382) | -4.1% |
| Non-Medical Supplies and Expenses | 837,371 | 724,866 | 112,505 | 15.5% |
| Insurance | 67,179 | 84,103 | (16,924) | -20.1% |
| Depreciation and Amortization | 198,413 | 108,423 | 89,990 | 83.0% |
| Total Operating Expenses | <u>5,846,068</u> | <u>5,369,862</u> | <u>476,206</u> | 8.9% |
| Operating Income (Loss) | <u>(1,079,750)</u> | <u>(380,383)</u> | <u>(699,367)</u> | 183.9% |
| Non-Operating Revenues (Expenses): | | | | |
| Tax Revenues | 498,383 | 462,765 | 35,618 | 7.7% |
| Noncapital Donations and Grants | 164,900 | 5,300 | 159,600 | 3011.3% |
| Gain on Fixed Assets | 161,840 | 19,494 | 142,346 | 730.2% |
| Investment Income | 31,322 | 13,635 | 17,687 | 129.7% |
| Realized/Unrealized Gain/(Loss) on Investments | 81,092 | 71,200 | 9,892 | 13.9% |
| Interest Expense | (1,406) | (3,129) | 1,723 | -55.1% |
| Foundation Expenses | <u>(5,183)</u> | <u>(8,230)</u> | <u>3,047</u> | -37.0% |
| Total Non-Operating Revenues (Expenses) | <u>930,948</u> | <u>561,035</u> | <u>369,913</u> | 65.9% |
| Excess (Deficit) of Revenues Over (Under) Expenses Before Capital Grants and Contributions | <u>(148,802)</u> | 180,652 | <u>(329,454)</u> | -182.4% |
| Capital Grants and Contributions | <u>-</u> | <u>30,191</u> | <u>(30,191)</u> | -100.0% |
| Increase/(Decrease) in Net Position | <u>(148,802)</u> | 210,843 | <u>(359,645)</u> | -170.6% |
| Net Position, Beginning of Year | <u>3,436,019</u> | <u>3,225,176</u> | <u>210,843</u> | 6.5% |
| Net Position, End of Year | <u>\$ 3,287,217</u> | <u>\$ 3,436,019</u> | <u>\$ (148,802)</u> | -4.3% |

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

| | <u>6/30/13</u> | <u>6/30/12</u> | <u>Change</u> | <u>%</u> |
|--|----------------------------|----------------------------|--------------------------|----------|
| Operating Revenues: | | | | |
| Net Patient and Resident Service Revenue | \$ 4,883,348 | \$ 4,685,675 | \$ 197,673 | 4.2% |
| Other Revenue | 106,131 | 35,044 | 71,087 | 202.9% |
| Total Operating Revenues | <u>4,989,479</u> | <u>4,720,719</u> | <u>268,760</u> | 5.7% |
| Operating Expenses: | | | | |
| Salaries and Benefits | 3,406,295 | 3,364,570 | 41,725 | 1.2% |
| Medical Supplies and Expenses | 1,046,175 | 951,438 | 94,737 | 10.0% |
| Non-Medical Supplies and Expenses | 724,866 | 649,952 | 74,914 | 11.5% |
| Insurance | 84,103 | 85,829 | (1,726) | -2.0% |
| Depreciation and Amortization | 108,423 | 116,434 | (8,011) | -6.9% |
| Total Operating Expenses | <u>5,369,862</u> | <u>5,168,223</u> | <u>201,639</u> | 3.9% |
| Operating Income (Loss) | <u>(380,383)</u> | <u>(447,504)</u> | <u>67,121</u> | -15.0% |
| Non-Operating Revenues (Expenses): | | | | |
| Tax Revenues | 462,765 | 470,078 | (7,313) | -1.6% |
| Noncapital Donations and Grants | 5,300 | 52,432 | (47,132) | -89.9% |
| Gain on Fixed Assets | 19,494 | 600 | 18,894 | 3149.0% |
| Investment Income | 13,635 | 17,661 | (4,026) | -22.8% |
| Realized/Unrealized Gain/(Loss) on Investments | 71,200 | (30,364) | 101,564 | -334.5% |
| Interest Expense | (3,129) | (2,977) | (152) | 5.1% |
| Foundation Expenses | (8,230) | (6,344) | (1,886) | 29.7% |
| Total Non-Operating Revenues (Expenses) | <u>561,035</u> | <u>501,086</u> | <u>59,949</u> | 12.0% |
| Excess of Revenues Over Expenses Before Capital Grants and Contributions | 180,652 | 53,582 | 127,070 | 237.2% |
| Capital Grants and Contributions | <u>30,191</u> | <u>9,385</u> | <u>20,806</u> | |
| Increase/(Decrease) in Net Position | 210,843 | 62,967 | 147,876 | 234.8% |
| Net Position, Beginning of Year | <u>3,225,176</u> | <u>3,162,209</u> | <u>62,967</u> | 2.0% |
| Net Position, End of Year | <u><u>\$ 3,436,019</u></u> | <u><u>\$ 3,225,176</u></u> | <u><u>\$ 210,843</u></u> | 6.5% |

The District's net patient revenues decreased \$205,745 (4.2%) from the prior year. The decrease in net patient revenues was due primarily to decrease in services. Total operating expenses increased by \$476,206 (8.9%) from the prior year which was due to the need for more labor and supplies. Net position decreased \$148,802 (4.3%) in the current year. Total capital assets decrease by \$126,085 and total long-term debt decreased by \$64,949.

**CHOUTEAU COUNTY HOSPITAL DISTRICT
D/B/A/ MISSOURI RIVER MEDICAL CENTER**

FORT BENTON, MONTANA

**CONSOLIDATED STATEMENTS OF NET POSITION
JUNE 30, 2014 AND 2013**

| | 6/30/14 | 6/30/13 |
|--|---------------------|---------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and Cash Equivalents | \$ 992,482 | \$ 1,410,647 |
| Cash and Cash Equivalents - Foundation | 153,135 | 35,899 |
| Accounts Receivable (Net) | 738,472 | 637,094 |
| Inventory | 105,859 | 111,480 |
| Prepaid Expenses | 38,090 | 49,108 |
| Tax Receivable | 13,925 | 10,188 |
| Estimated Medicare & Medicaid Receivable | 18,744 | 41,113 |
| Other Receivables | 166,747 | 3,354 |
| Total Current Assets | 2,227,454 | 2,298,883 |
| Noncurrent Cash and Investments | | |
| Certificates of Deposit | 85,772 | 85,570 |
| Certificates of Deposit - Foundation | 23,000 | 23,000 |
| Restricted Cash in Bank - Foundation | 2,713 | 2,732 |
| Investments - Foundation | 675,235 | 684,812 |
| Equity in Montana Health Network | 50,000 | 45,000 |
| Total Noncurrent Cash and Investments | 836,720 | 841,114 |
| Capital Assets | | |
| Land | 58,079 | 58,079 |
| Construction In Progress | 293,498 | 252,723 |
| Depreciable Capital Assets | 4,421,438 | 4,389,885 |
| Accumulated Depreciation | (3,777,553) | (3,579,140) |
| Net Capital Assets | 995,462 | 1,121,547 |
| Total Assets | \$ 4,059,636 | \$ 4,261,544 |
| LIABILITIES AND NET POSITION | | |
| Current Liabilities | | |
| Accrued Payroll and Payroll Taxes Payable | \$ 353,223 | \$ 325,723 |
| Accounts Payable | 118,387 | 132,859 |
| Accrued Interest Payable | 1,117 | 2,302 |
| Current Maturity of Long-Term Debt | 159,943 | 145,271 |
| Total Current Liabilities | 632,670 | 606,155 |
| Long-Term Liabilities | | |
| Long-Term Debt, Net of Current Maturities | 139,749 | 219,370 |
| Total Liabilities | 772,419 | 825,525 |
| Net Position | | |
| Invested in Capital Assets Net of Related Debt | 695,770 | 756,906 |
| Restricted - Foundation | 25,713 | 25,732 |
| Unrestricted | 2,565,734 | 2,653,381 |
| Total Net Position | 3,287,217 | 3,436,019 |
| Total Liabilities and Net Position | \$ 4,059,636 | \$ 4,261,544 |

The accompanying notes are an integral part of these financial statements.

**CHOUTEAU COUNTY HOSPITAL DISTRICT
D/B/A/ MISSOURI RIVER MEDICAL CENTER**

FORT BENTON, MONTANA

**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2014 AND 2013**

| | 6/30/14 | 6/30/13 |
|--|---------------------|---------------------|
| Operating Revenues | | |
| Net Patient and Resident Service Revenue (Net of Provision for Bad Debts and Contractual Adjustments of \$596,559 in 2014 and \$464,223 in 2013) | \$ 4,677,603 | \$ 4,883,348 |
| Other Revenue | 88,715 | 106,131 |
| Total Operating Revenues | 4,766,318 | 4,989,479 |
| Operating Expenses | | |
| Salaries and Benefits | 3,740,312 | 3,406,295 |
| Medical Supplies and Expenses | 1,002,793 | 1,046,175 |
| Non-Medical Supplies and Expenses | 837,371 | 724,866 |
| Insurance | 67,179 | 84,103 |
| Depreciation and Amortization | 198,413 | 108,423 |
| Total Operating Expenses | 5,846,068 | 5,369,862 |
| Operating Income (Loss) | (1,079,750) | (380,383) |
| Non-Operating Revenues (Expenses) | | |
| Tax Revenues | 498,383 | 462,765 |
| Noncapital Donations and Grants | 164,900 | 5,300 |
| Gain on Capital Assets | 161,840 | 19,494 |
| Investment Income | 31,322 | 13,635 |
| Realized/Unrealized Gain/(Loss) on Investments | 81,092 | 71,200 |
| Interest Expense | (1,406) | (3,129) |
| Foundation Expenses | (5,183) | (8,230) |
| Total Non-Operating Revenues (Expenses) | 930,948 | 561,035 |
| Excess (Deficiency) of Revenues Over (Under) Expenses Before Capital Grants and Contributions | (148,802) | 180,652 |
| Capital Grants and Contributions | - | 30,191 |
| Increase (Decrease) in Net Position | (148,802) | 210,843 |
| Net Position, Beginning of Year | 3,436,019 | 3,225,176 |
| Net Position, End of Year | \$ 3,287,217 | \$ 3,436,019 |

The accompanying notes are an integral part of these financial statements.

**CHOUTEAU COUNTY HOSPITAL DISTRICT
D/B/A/ MISSOURI RIVER MEDICAL CENTER**

FORT BENTON, MONTANA

**CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013**

| | <u>6/30/14</u> | <u>6/30/13</u> |
|--|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Receipts from and on behalf of Patients and Residents | \$ 4,576,225 | \$ 4,835,853 |
| Other Revenue | 70,409 | 106,131 |
| Payments to Suppliers and Contractors | (1,921,815) | (1,820,843) |
| Payments to Employees | (3,712,812) | (3,364,557) |
| Net Cash (Used) by Operating Activities | <u>(987,993)</u> | <u>(243,416)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | |
| Tax Revenues | 498,383 | 462,765 |
| Noncapital Grants and Donations | 164,900 | 5,300 |
| Net Cash Provided by Noncapital Financing Activities | <u>663,283</u> | <u>468,065</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Capital Grants and Contributions | - | 30,191 |
| Proceeds from Sale of Capital Assets | 47,024 | 31,340 |
| Principal Paid on Long-Term Debt | (64,949) | (15,219) |
| Interest Paid on Long-Term Debt | (2,591) | (3,129) |
| Purchase of Capital Assets | (72,328) | (60,844) |
| Net Cash (Used) by Capital Financing Activities | <u>(92,844)</u> | <u>(17,661)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from Sale of Investments | 129,200 | - |
| Interest on Investments | 31,322 | 13,635 |
| (Purchases) of Investments | (38,733) | (8,149) |
| Foundation Expenses | (5,183) | (8,230) |
| Net Cash Provided (Used) by Investing Activities | <u>116,606</u> | <u>(2,744)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (300,948) | 204,244 |
| Cash and Cash Equivalents, Beginning of Year | <u>1,449,278</u> | <u>1,245,034</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 1,148,330</u> | <u>\$ 1,449,278</u> |
| NONCASH INVESTING AND FINANCING ACTIVITIES: | | |
| Purchase equipment through issuance of debt | <u>\$ -</u> | <u>\$ 342,211</u> |

The accompanying notes are an integral part of these financial statements.

**CHOUTEAU COUNTY HOSPITAL DISTRICT
D/B/A/ MISSOURI RIVER MEDICAL CENTER**

FORT BENTON, MONTANA

**CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013**

| | 6/30/14 | 6/30/13 |
|---|----------------|--------------|
| Reconciliation of Operating Income (Loss) to | | |
| Net Cash Provided (Used) by Operating Activities: | | |
| Operating Income (Loss) | \$ (1,079,750) | \$ (380,383) |
| Adjustments to Reconcile Operating Income to Net | | |
| Cash Flows Provided (Used) by Operating Activities: | | |
| Depreciation and Amortization | 198,413 | 108,423 |
| Changes in: | | |
| Patient and Resident Accounts Receivable | (101,378) | (2,804) |
| Supplies and Other Current Assets | (18,306) | (44,691) |
| Accounts Payable, Accrued Expenses, and Other Current Liabilities | 13,028 | 77,655 |
| Estimated Third-Party Payor Settlements | - | (3,918) |
| Other Accounts Related to Operating Activities | - | 2,302 |
| Net Cash (Used) in Operating Activities | \$ (987,993) | \$ (243,416) |

The accompanying notes are an integral part of these financial statements.

**CHOUTEAU COUNTY HOSPITAL DISTRICT
D/B/A MISSOURI RIVER MEDICAL CENTER**

FORT BENTON, MONTANA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The voters of Chouteau County created Chouteau County Hospital District d/b/a Missouri River Medical Center (the District), a hospital tax district, on July 22, 1974. The District operates a critical access hospital (CAH), rural health clinic (RHC), nursing home, and a personal care facility. Primary and secondary care are provided in the CAH and RHC. Skilled nursing and intermediate care services are provided in the nursing home. Consolidated with the financial statements of the District is the Chouteau County Health Care Foundation, Inc. (Foundation). The Foundation was established to raise funds through donations to assist the District in carrying out its mission.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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.

Basis of Accounting - The District is a single enterprise fund. The financial statements of the District have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB's *Codification of Governmental Accounting and Financial Reporting Standards* documents these principles.

Starting with fiscal year ended June 30, 2013, the District adopted a new statement of financial accounting standards issued by the Governmental Accounting Standards Board (GASB). GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position (GASB 63), establishes a new statement of net position format that reports separately all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position (which is the net residual amount of the other elements). The Statement requires deferred outflows of resources and deferred inflows of resources to be reported separately from assets and liabilities. The financial report impact resulting from the implementation of GASB 63 in the District's financial statements was the renaming of "Net Assets" to "Net Position", including changing the name of the financial statement from "Statement of Net Assets" to "Statement of Net Position".

Revenues are recognized in the period in which they are earned and both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the district considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenses are recognized in the period in which they are incurred. All assets and liabilities associated with the operation of District are included in the Consolidated Statement of Net Position and depreciation of capital assets is recognized in the Consolidated Statement of Activities and Changes in Net Position. The principal sources of revenue are from patient and resident services.

Net Position - Net Position represent the difference between assets and liabilities and are classified into three categories:

- Investment in Capital Assets, Net of Related Debt - This reflects the net position of the District that are invested in capital assets, net of related debt. This indicates that this net position is not accessible for other purposes.
- Restricted Net Position - This represents the net position that is not accessible for general use because its use is subject to restrictions enforceable by third parties.
- Unrestricted Net Position - This represents the net position that is available for general use.

Cash and Cash Equivalents - Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less, excluding amounts whose use is limited by Board designation or other arrangements under indenture agreements. All cash and cash equivalents and assets held under Indenture Agreements are held by Chouteau County. The amount of personal funds held for residents, which is also reflected as an accounts payable, was \$3,361 and \$3,492 at June 30, 2014 and 2013, respectively.

Investments - Investments in equity securities and bonds with readily determinable fair values are measured at fair value in the balance sheet. Certificates of deposit are valued at cost which approximates fair value. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the change in unrestricted net assets unless the income or loss is restricted by donor or law.

Capital Assets - The District's capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. All capital assets other than land are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation over their estimated useful lives as listed in the American Hospital Association publication, Estimated Useful Lives of Depreciable Hospital Assets.

Costs of Borrowing - Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. None of the District's interest cost was capitalized in the years ended June 30, 2014 and 2013.

Tax Revenues - The District received approximately 9% in 2014 and 8% in 2013 of its financial support from tax revenues. These funds were used as follows:

| | <u>6/30/14</u> | <u>6/30/13</u> |
|----------------------------|-------------------|-------------------|
| Used to Support Operations | <u>\$ 498,383</u> | <u>\$ 462,765</u> |

Property taxes are levied by Chouteau County on the District's behalf in July. Amounts levied are based on assessed property values as of the preceding January. The first installment payment is due November 30 and the second installment is due May 31. Property taxes are considered delinquent on the day following each payment date.

Grants and Contributions - From time to time the District receives grants and contributions from individuals or organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

Restricted Resources - When the District has both restricted and unrestricted resources available to finance a particular program, it is the District's policy to use restricted resources before unrestricted resources.

Net Position - Net position of the District is classified in four components. Net position invested in capital assets net of related debt consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted expendable net position are noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the District, including amounts deposited with trustees as required by revenue bond indentures, discussed in Note 5. Restricted nonexpendable net position equal the principal portion of permanent endowments. Unrestricted net position is remaining net position that does not meet the definition of invested in capital assets net of related debt or restricted.

Operating Revenues and Expenses - The District's statement of revenues, expenses, and changes in net position distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the District's principal activity. Non-exchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Net Patient Service Revenue - Revenue is recorded net of contractual adjustments for payments to the District at amounts different from its established rates. Payment arrangements include prospectively determined rates, reimbursed costs, and discounted charges. Net patient and resident service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined (see Note 2).

Accounts Receivable - Accounts receivable are carried at net of allowances for uncollectible accounts and contractual adjustments. Accounts which are not considered collectible are written off against the allowance account. The allowances for doubtful accounts and contractual adjustments at June 30, 2014 and 2013 total \$239,887 and \$190,322, respectively. The allowance accounts are set by applying historical loss percentages to aged accounts receivable and estimating contractual adjustments based on current reimbursement.

Charity Care - The District maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy and the estimated cost of providing charity care. For the years ended June 30, 2014 and 2013, the estimated direct cost of providing charity care was \$34,361 and \$56,860, respectively. The cost was estimated by applying the Hospital's overall cost-to-charge ratio to the charges foregone for charity care.

Risk Management - The District 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 illness; natural disasters; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. The District is self-insured for employee health insurance and workers' compensation insurance as discussed in Note 6.

Inventory - Supply inventories are stated at the lower of cost or market, applied on the first-in/first-out basis.

Malpractice Insurance - The District has malpractice insurance coverage with a claims-made policy. Tail coverage has not been obtained or provided for.

Tax Liability - Chouteau County Hospital District d/b/a Missouri River Medical Center is exempt from Federal income tax. Chouteau County Health Care Foundation, Inc. is a not-for-profit organization and has been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code. Therefore, no income tax liability or expense is reflected in the accompanying financial statements. For years prior to 2011 the Foundation's tax returns are generally no longer subject to examination.

NOTE 2: MEDICARE AND MEDICAID CONTRACT SETTLEMENT:

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

- **Critical Access Hospital** - Inpatient acute care services, certain outpatient services, and defined capital costs for Medicare and Medicaid beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The District's Medicare and Medicaid cost reports have been audited by the Medicare fiscal intermediary through June 30, 2013.
- **Rural Health Clinic** - Medicare reimburses based on the cost per visit with the final settlement determined after submission of the annual cost report. Medicaid pays a prospective payment per visit based on the historical cost per visit.
- **Nursing Home** - Most Medicaid and Medicare charges are paid based on a prospective payment system.
- **Eligibility** - The District'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 under contract with the District. Medicaid patients must meet state requirements.

The Medicare and Medicaid receivables and payables are based upon unsettled cost reports. The District has estimated a Medicare and Medicaid receivable of \$18,744 and \$41,113 at June 30, 2014 and 2013, respectively.

NOTE 3: ACCOUNTS RECEIVABLE AND PAYABLE:

Patient and resident accounts receivable and accounts payable (including accrued expenses) reported as current assets and liabilities by the District at June 30, 2014 and 2013 consisted of these amounts:

| | <u>6/30/14</u> | <u>6/30/13</u> |
|---|--------------------------|--------------------------|
| Patient Accounts Receivable | | |
| Receivable from Patients, Residents, and their Insurance Carriers | \$ 613,428 | \$ 464,326 |
| Receivable from Medicare | 267,856 | 277,217 |
| Receivable from Medicaid | 97,075 | 85,873 |
| Total Patient and Resident Accounts Receivable | <u>978,359</u> | <u>827,416</u> |
| Less Allowance for Uncollectible Accounts and Contractuals | 239,887 | 190,322 |
| Patient Accounts Receivable, Net | <u><u>\$ 738,472</u></u> | <u><u>\$ 637,094</u></u> |

| | <u>6/30/14</u> | <u>6/30/13</u> |
|--|--------------------------|--------------------------|
| Accounts Payable and Accrued Expenses | | |
| Payable to Employees (Including Payroll Taxes) | \$ 353,223 | \$ 325,723 |
| Payable to Suppliers | 118,387 | 132,859 |
| Total Accounts Payable and Accrued Expenses | <u><u>\$ 471,610</u></u> | <u><u>\$ 458,582</u></u> |

NOTE 4: INVESTMENTS:

Investments, excluding restricted amounts, at June 30, 2014 and 2013 include:

| | <u>6/30/14</u> | <u>6/30/13</u> |
|--|--------------------------|--------------------------|
| Marketable Equity Securities | | |
| Mutual Funds-RBC Dain Rauscher | \$ 454,839 | \$ 465,531 |
| Certificate of Deposits | | |
| US Bank- Certificate of Deposit | 63,492 | 63,492 |
| Russell Country FCU-Certificate of Deposit | 35,105 | 34,633 |
| First Security Bank-Certificate of Deposit | 121,799 | 121,156 |
| Total Certificates of Deposit | <u>220,396</u> | <u>219,281</u> |
| Total Unrestricted Investments | <u><u>\$ 675,235</u></u> | <u><u>\$ 684,812</u></u> |

NOTE 5: CAPITAL ASSETS:

Capital asset additions, retirements, and balances for the years ended June 30, 2014 and 2013 were as follows:

| | <u>Balance July 01, 2013</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance June 30, 2014</u> |
|------------------------------------|----------------------------------|-------------------|--------------------|----------------------------------|
| Land | \$ 58,079 | \$ - | \$ - | \$ 58,079 |
| Land Improvements | 24,052 | - | - | 24,052 |
| Buildings and Improvements | 2,571,966 | - | - | 2,571,966 |
| Equipment | 1,793,866 | 31,553 | - | 1,825,419 |
| Electronic Health Record System | - | 276,133 | - | 276,133 |
| Construction in Progress | 252,723 | 17,365 | 252,723 | 17,365 |
| Totals at Historical Cost | <u>4,700,686</u> | <u>325,051</u> | <u>252,723</u> | <u>4,773,014</u> |
| Less Accumulated Depreciation for: | | | | |
| Land Improvements | (23,353) | (701) | - | (24,054) |
| Buildings and Improvements | (1,952,960) | (54,944) | - | (2,007,904) |
| Equipment | (1,602,826) | (142,768) | - | (1,745,594) |
| Total Accumulated Depreciation | <u>(3,579,139)</u> | <u>(198,413)</u> | <u>-</u> | <u>(3,777,552)</u> |
| Capital Assets, Net | <u>\$ 1,121,547</u> | <u>\$ 126,638</u> | <u>\$ 252,723</u> | <u>\$ 995,462</u> |

| | <u>Balance July 01, 2012</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance June 30, 2013</u> |
|------------------------------------|----------------------------------|-------------------|--------------------|----------------------------------|
| Land | \$ 58,079 | \$ - | \$ - | \$ 58,079 |
| Land Improvements | 24,052 | - | - | 24,052 |
| Buildings and Improvements | 2,509,124 | 77,842 | 15,000 | 2,571,966 |
| Equipment | 1,738,565 | 79,555 | 24,254 | 1,793,866 |
| Construction in Progress | 7,066 | 252,723 | 7,066 | 252,723 |
| Totals at Historical Cost | <u>4,336,886</u> | <u>410,120</u> | <u>46,320</u> | <u>4,700,686</u> |
| Less Accumulated Depreciation for: | | | | |
| Land Improvements | (22,649) | (704) | - | (23,353) |
| Buildings and Improvements | (1,903,401) | (56,965) | (7,406) | (1,952,960) |
| Equipment | (1,572,075) | (50,754) | (20,003) | (1,602,826) |
| Total Accumulated Depreciation | <u>(3,498,125)</u> | <u>(108,423)</u> | <u>(27,409)</u> | <u>(3,579,139)</u> |
| Capital Assets, Net | <u>\$ 838,761</u> | <u>\$ 301,697</u> | <u>\$ 18,911</u> | <u>\$ 1,121,547</u> |

NOTE 6: LONG-TERM DEBT AND OTHER NONCURRENT LIABILITIES:

A schedule of changes in the District's noncurrent liabilities is as follows:

| | <u>Balance July 01, 2013</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance June 30, 2014</u> | <u>Amounts Due Within One Year</u> |
|------------------------------|----------------------------------|------------------|--------------------|----------------------------------|--|
| Bonds and Notes Payable: | | | | | |
| Mortgage Loan | \$ 2,855 | \$ - | \$ 2,855 | \$ - | \$ - |
| Notes Payable | 361,786 | - | 62,094 | 299,692 | 159,943 |
| Total Long-Term Debt | <u>364,641</u> | <u>-</u> | <u>64,949</u> | <u>299,692</u> | <u>159,943</u> |
| Total Noncurrent Liabilities | <u>\$ 364,641</u> | <u>\$ -</u> | <u>\$ 64,949</u> | <u>\$ 299,692</u> | <u>\$ 159,943</u> |

| | <u>Balance</u> <u>July 01, 2012</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance</u> <u>June 30, 2013</u> | <u>Amounts</u> <u>Due Within</u> <u>One Year</u> |
|------------------------------|--|-------------------|--------------------|--|--|
| Bonds and Notes Payable: | | | | | |
| Mortgage Loan | \$ 8,436 | \$ - | \$ 5,581 | \$ 2,855 | \$ 2,855 |
| Notes Payable | 29,213 | 342,211 | 9,638 | 361,786 | 142,416 |
| Total Long-Term Debt | <u>37,649</u> | <u>342,211</u> | <u>15,219</u> | <u>364,641</u> | <u>145,271</u> |
| Total Noncurrent Liabilities | <u>\$ 37,649</u> | <u>\$ 342,211</u> | <u>\$ 15,219</u> | <u>\$ 364,641</u> | <u>\$ 145,271</u> |

Long-Term debt is comprised of the following:

| | <u>6/30/14</u> | <u>6/30/13</u> |
|-----------------------------------|-------------------|-------------------|
| Montana Board of Investments 1998 | \$ - | \$ 2,855 |
| Montana Board of Investments 2004 | 76,928 | 107,178 |
| Montana Board of Investments 2013 | 103,279 | 131,133 |
| Montana Board of Investments 2003 | 103,900 | 103,900 |
| Montana Board of Investments 2007 | 11,362 | 14,272 |
| Montana Board of Investments 2770 | 4,223 | 5,303 |
| Hematology Analyzer Note | - | - |
| Subtotal | <u>299,692</u> | <u>364,641</u> |
| Less Current Maturities | <u>(159,943)</u> | <u>(145,271)</u> |
| Long-Term Debt | <u>\$ 139,749</u> | <u>\$ 219,370</u> |

Maturities of long-term debt for each of the five years succeeding June 30, 2014 are as follows:

| <u>June 30,</u> | <u>Debt and</u> <u>Sinking Fund</u> <u>Requirements</u> | <u>Interest</u> <u>Requirements</u> | <u>Total</u> <u>Requirements</u> |
|-----------------|---|--|-------------------------------------|
| 2015 | \$ 159,943 | \$ 2,997 | \$ 162,940 |
| 2016 | 101,494 | 1,397 | 102,891 |
| 2017 | 26,359 | 383 | 26,742 |
| 2018 | 8,712 | 119 | 8,831 |
| 2019 | 3,184 | 32 | 3,216 |
| Total | <u>\$ 299,692</u> | <u>\$ 4,928</u> | <u>\$ 304,620</u> |

Montana Board of Investments 2003

On May 8, 2013, the District obtained a loan from Montana Board of Investments' InterCap Program for the purchase of medical management software. The loan requires 4 semi-yearly payments, currently at \$34,980. The loan has a variable interest rate of 1.00% at year-end and matures August 2015.

Montana Board of Investments 2004

On January 18, 2013 the District obtained a loan from Montana Board of Investments' InterCap Program for a roof replacement and equipment software. The loan requires 7 semi-yearly payments, currently at \$15,618. The loan has a variable interest rate of 1.00% at year-end and matures June 2016.

Montana Board of Investments 2007

On June 15, 2007 the District obtained a loan from Montana Board of Investments' InterCap Program to purchase land adjacent to the Hospital. The loan requires 20 semi-yearly payments, currently at \$1,534. The loan has a variable interest rate of 1.00% at year-end and matures August 2017.

Montana Board of Investments 2013

On May 10, 2013 the District obtained a loan from Montana Board of Investments' InterCap Program to purchase medical equipment. The loan requires 10 semi-yearly payments, currently at \$3,200. The loan has a variable interest rate of 1.00% at year-end and matures August 2018.

Montana Board of Investments 2013

On May 8, 2013 the District obtained a loan from Montana Board of Investments' InterCap Program to purchase medical management software. The loan requires 4 semi-yearly payments, currently at \$25,313. The loan has a variable interest rate of 1.00% at year-end and matures August 2015.

Montana Board of Investments 2770

On June 15, 2007, the District obtained a loan from Montana Board of Investments' InterCap Program to purchase property and improvements. The loan requires 19 semi-yearly payments, currently at \$582. The loan has a variable interest rate of 1.00% at year-end and matures August 2017.

NOTE 7: ENDOWMENT:

The Foundation's endowment consists of an individual fund established for a variety of purposes. This endowment may include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles in the United States, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted the Montana Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors when making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purpose of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation.

Endowment Spending Policy

It is the goal of the Foundation to provide annual distributions to support the programs it has identified within its various missions. This goal needs to be balanced with an equally important goal of growing the principal of the Endowment Funds in real terms. The Board has taken into consideration the impact cash withdrawals play upon the volatility of a portfolio over time. Taking this into account, the Board has set an annual withdrawal policy of only withdrawing the interest earned on the fund subject to any specific donor imposed restrictions.

Endowment Investment Policy

Investment Objective - The obligations of the Foundation are long-term in nature; consequently the investment of the endowment assets has a long-term focus. The endowment assets are invested in accordance with sound investment practices that emphasize long-term investment fundamentals. The investment objective for the portfolio assets is to maintain a level of current income and to meet withdrawal needs with any shortfall to be made up from net capital appreciation. This objective is obtained through a well-diversified portfolio structure in a manner consistent with the investment policy when read in its entirety.

Risk Tolerance - The Board of Directors examined two important factors that affect the portfolio risk tolerance: financial ability to accept risk within the investment program and willingness to accept return volatility. The Board of Directors is comfortable with a moderate risk strategy. This is a goal of relatively more stable returns over the longer term with a reduced potential of negative returns in any given year. Specifically, the risk level as measured by volatility (standard deviation) should be similar to the volatility level of the underlying comparative benchmarks and not deviate from the benchmarks by more than 25% at any given time.

Strategies for Achieving Objectives - To satisfy its long-term objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that generally places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies result from unfavorable market fluctuations that occur after the investment of permanently restricted contributions.

ENDOWMENT NET ASSETS COMPOSITION BY TYPE OF FUND AS OF JUNE 30, 2014

| | <u>Permanently Restricted</u> |
|----------------------------------|-----------------------------------|
| Donor Restricted Endowment Funds | |
| Behrens Endowment | \$ 16,000 |
| Total Funds | <u>\$ 16,000</u> |

**CHANGES IN ENDOWMENT NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2014**

| | Permanently Restricted |
|---|-----------------------------------|
| Endowment Net Assets, Beginning of Year | \$ 16,000 |
| Investment Returns | |
| Investment Income | 38 |
| Net Appreciation (Depreciation) | - |
| Total Investment Return | 38 |
| Contributions | - |
| Release from Restrictions | 38 |
| Balance June 30, 2014 | \$ 16,076 |

**ENDOWMENT NET ASSETS COMPOSITION BY TYPE OF FUND
AS OF JUNE 30, 2013**

| | Permanently Restricted |
|----------------------------------|-----------------------------------|
| Donor Restricted Endowment Funds | |
| Behrens Endowment | \$ 16,000 |
| Total Funds | \$ 16,000 |

**CHANGES IN ENDOWMENT NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2013**

| | Permanently Restricted |
|---|-----------------------------------|
| Endowment Net Assets, Beginning of Year | \$ 16,000 |
| Investment Returns | |
| Investment Income | 38 |
| Net Appreciation (Depreciation) | - |
| Total Investment Return | 38 |
| Contributions | - |
| Release from Restrictions | (38) |
| Balance June 30, 2013 | \$ 16,000 |

NOTE 8: FAIR VALUE MEASUREMENTS:

Investments are measured at fair value in the accompanying statement of financial position. The Foundation's investments are managed by outside investment managers who operate within the guidelines established by the Board of Directors. The Foundation determined the fair value of its marketable securities through the application of Accounting Standards Codification (ASC) No. 820. The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Restricted gains and investment income are reported as unrestricted revenues when restrictions are met in the same reporting period.

As required by ASC No. 820, which provides a framework for measuring fair value under GAAP, investments are classified within the level of lowest significant input considered in determining fair value. ASC No. 820 also establishes a fair value hierarchy, which prioritizes the valuation of inputs into three broad levels as described below:

Level 1 – quoted prices in active markets as of the measurement date

Level 2 – quoted prices which are not active, quoted prices for similar assets or liabilities in active markets or inputs other than quoted prices that are observable (either directly or indirectly) for substantially the full term of the asset or liability

Level 3 – significant unobservable prices or inputs where there is little or no market activity for the asset or liability at the measurement date

Fair values of assets measured on a recurring basis at June 30, 2014 and 2013 are as follows:

| <u>June 30, 2014</u> | <u>Fair Value</u> | <u>Quoted Price in Active for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Input (Level 3)</u> |
|--------------------------------|-------------------|--|--|---|
| Long-Term Investments - | | | | |
| Mutual Funds | \$ 454,839 | \$ 454,839 | \$ - | \$ - |
| Certificates of Deposit | 243,396 | 243,396 | - | - |
| Total Unrestricted Investments | <u>\$ 698,235</u> | <u>\$ 698,235</u> | <u>\$ -</u> | <u>\$ -</u> |
| | | | | |
| <u>June 30, 2013</u> | <u>Fair Value</u> | <u>Quoted Price in Active for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Input (Level 3)</u> |
| Long-Term Investments - | | | | |
| Mutual Funds | \$ 465,531 | \$ 465,531 | \$ - | \$ - |
| Certificates of Deposit | 242,281 | 242,281 | - | - |
| Total Unrestricted Investments | <u>\$ 707,812</u> | <u>\$ 707,812</u> | <u>\$ -</u> | <u>\$ -</u> |

NOTE 9: CONTINGENT LIABILITIES:

Self-Insurance Health Insurance - The District elected to self-insure all employees for health care costs under the Montana Health Network Health Insurance Plan & Trust. The Trust has specific stop-loss reinsurance of \$275,000 and an aggregate stop-loss reinsurance of 120% of expected losses for all participants. The Trust attempts to establish premiums equal to the expected maximum liability for the District's participation in the Trust. If the Trust does not cover member losses, the District is liable jointly and severally for these losses. If the District terminates participation in the Trust, the District could also be liable for claims incurred during participation but not yet paid at termination. Such claims have not been estimated.

Self-Funded Workers' Compensation - The District is a member of the Montana Health Network Workers' Compensation Insurance Trust. The rates charged to individual facilities in this self-insurance workers' compensation plan are based upon manual premiums, and were established to cover anticipated losses. The District's payroll represents approximately 0.65%

of the total payroll of members of the Trust. If the rates do not cover the members' losses, the District is liable jointly and severally for these losses. A calculation of any liability that may exist is not readily determinable as of June 30, 2014.

NOTE 10: CONCENTRATIONS OF CREDIT RISK:

The District grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2014 and 2013, was as follows:

| | <u>6/30/14</u> | <u>6/30/13</u> |
|--|----------------|----------------|
| Medicare | 34% | 31% |
| Medicaid | 10% | 8% |
| Blue Cross | 3% | 4% |
| Other Third-Party Payors, Patients and Residents | 53% | 57% |
| Total | <u>100%</u> | <u>100%</u> |

NOTE 11: DEPOSITS AND INVESTMENTS:

All of the District's cash, cash equivalents, investments, and assets held under indenture agreements are held by Chouteau County. Deposits are maintained in local financial institutions and excess funds are pooled with other County funds in 30 day certificates of deposit or repurchase agreements. Deposits in excess of the amount insured by the federal deposit insurance corporation or the national credit union administration are secured by pledged securities having a market value of at least 50% of the amount of the deposits in excess of the amount insured, as stipulated by the State of Montana. Pledged securities must conform to the State of Montana's requirements for security for deposits of public funds. At June 30, 2014 the District's total carrying value of cash, cash equivalents, investments, and assets held under indenture agreements was \$965,335 and the total bank balance was \$1,057,044. Interest rate risk is not significant due to the short term nature of investment instruments.

NOTE 12: FUNCTIONAL EXPENSE:

The District provides health care services to residents within its geographic area. Expenses related to providing these services by functional class for the years ended June 30, 2014 and 2013 are as follows:

| | <u>6/30/14</u> | <u>6/30/13</u> |
|---|---------------------|---------------------|
| Patient and Resident Health Care Services | \$ 5,008,697 | \$ 4,644,996 |
| General and Administrative | 837,371 | 724,866 |
| Total Operating Expenses | <u>\$ 5,846,068</u> | <u>\$ 5,369,862</u> |

NOTE 13: SUBSEQUENT EVENT:

In July 2014 the District entered into an agreement with the Catholic Church in Fort Benton to purchase land in exchange for the District building a new rectory for the Church not to exceed \$165,000.

**CHOUTEAU COUNTY HOSPITAL DISTRICT
D/B/A/ MISSOURI RIVER MEDICAL CENTER
FORT BENTON, MONTANA**

**SUPPLEMENTARY INFORMATION
SCHEDULE OF NET PATIENT AND RESIDENT SERVICE REVENUE
YEARS ENDED JUNE 30, 2014 AND 2013**

| | Inpatient | | Outpatient | | Total | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 6/30/14 | 06/30/13 | 6/30/14 | 06/30/13 | 6/30/14 | 06/30/13 |
| Routine Services | | | | | | |
| Nursing Home | \$ 2,369,987 | \$ 2,113,819 | \$ - | \$ - | \$ 2,369,987 | \$ 2,113,819 |
| Personal Care | 202,545 | 255,715 | - | - | 202,545 | 255,715 |
| Hospital | 124,830 | 227,450 | - | - | 124,830 | 227,450 |
| Swing Bed | 15,876 | 26,950 | - | - | 15,876 | 26,950 |
| Total Routine Services | <u>2,713,238</u> | <u>2,623,934</u> | <u>-</u> | <u>-</u> | <u>2,713,238</u> | <u>2,623,934</u> |
| Ancillary Services | | | | | | |
| Pharmacy | 77,797 | 160,851 | 29,384 | 39,484 | 107,181 | 200,335 |
| Laboratory | 43,523 | 72,036 | 719,736 | 714,338 | 763,259 | 786,374 |
| Radiology | 7,735 | 10,051 | 210,163 | 166,869 | 217,898 | 176,920 |
| Central Service Supplies | 17,849 | 31,165 | 51,360 | 41,826 | 69,209 | 72,991 |
| CT Scanner | 12,201 | 25,971 | 129,611 | 173,775 | 141,812 | 199,746 |
| DME | - | - | - | - | - | - |
| EKG | 1,243 | 3,455 | 27,355 | 31,495 | 28,598 | 34,950 |
| Oxygen | 28,113 | 11,152 | 1,844 | 1,055 | 29,957 | 12,207 |
| Emergency Room | 161 | 310 | 227,212 | 183,211 | 227,373 | 183,521 |
| Clinic Services | - | - | 694,084 | 746,414 | 694,084 | 746,414 |
| PT, OT and ST | 77,555 | 123,963 | 203,998 | 186,226 | 281,553 | 310,189 |
| Total Ancillary Services | <u>266,177</u> | <u>438,954</u> | <u>2,294,747</u> | <u>2,284,693</u> | <u>2,560,924</u> | <u>2,723,647</u> |
| Total Patient Service Revenue | <u>\$ 2,979,415</u> | <u>\$ 3,062,888</u> | <u>\$ 2,294,747</u> | <u>\$ 2,284,693</u> | <u>5,274,162</u> | <u>5,347,581</u> |
| Deduction from Revenue | | | | | | |
| Contractual Adjustments | | | | | 405,930 | 255,658 |
| Administrative and Other Adjustments and Charity Care | | | | | 34,887 | 57,935 |
| Provision for Bad Debts | | | | | 155,742 | 150,640 |
| Total Deductions from Revenue | | | | | <u>596,559</u> | <u>464,233</u> |
| Net Patient and Resident Service Revenue | | | | | <u>\$ 4,677,603</u> | <u>\$ 4,883,348</u> |

**CHOUTEAU COUNTY HOSPITAL DISTRICT
D/B/A/ MISSOURI RIVER MEDICAL CENTER**

FORT BENTON, MONTANA

**SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2014 AND 2013**

SCHEDULE OF OTHER OPERATING REVENUE

| | <u>6/30/14</u> | <u>6/30/13</u> |
|-------------------------------|------------------|-------------------|
| Rent | \$ 10,952 | \$ 9,190 |
| Miscellaneous | 61,999 | 81,246 |
| Revenue from Meals | 15,764 | 15,695 |
| Total Other Operating Revenue | <u>\$ 88,715</u> | <u>\$ 106,131</u> |

SCHEDULE OF SALARIES AND BENEFITS

| | <u>6/30/14</u> | <u>6/30/13</u> |
|---|---------------------|---------------------|
| Salaries | | |
| Administrative and General | \$ 258,113 | \$ 206,771 |
| Operation of Plant | 76,030 | 54,257 |
| Laundry and Linen Service | 84,231 | 83,244 |
| Housekeeping | 101,517 | 91,409 |
| Dietary | 152,007 | 151,769 |
| Nursing Administration | 174,482 | 105,914 |
| Medical Records & Library | 94,406 | 90,697 |
| Social Service | 28,677 | 34,000 |
| Activities | 49,168 | 45,448 |
| Adults and Pediatrics | 167,089 | 278,925 |
| Personal Care | 103,140 | 100,327 |
| CT Scanner | 8,220 | 9,459 |
| Skilled Nursing Facility | 822,656 | 749,496 |
| Radiology | 59,517 | 54,792 |
| Laboratory | 208,079 | 203,465 |
| Physical, Occupational & Speech Therapy | 206,580 | 133,850 |
| Infection Control | 20,439 | 13,512 |
| Billable Medical Supplies | 34,546 | 24,442 |
| Clinic | 374,484 | 361,674 |
| Emergency | 20,010 | 12,377 |
| Total Salaries | <u>3,043,391</u> | <u>2,805,828</u> |
| Benefits | | |
| FICA | \$ 213,137 | \$ 193,885 |
| Health and Life Insurance | 452,361 | 410,392 |
| Workers' Compensation | 29,479 | 6,164 |
| Unemployment Taxes | 7,547 | 6,903 |
| Miscellaneous | (5,603) | (16,877) |
| Total Benefits | <u>696,921</u> | <u>600,467</u> |
| Total Salaries and Benefits | <u>\$ 3,740,312</u> | <u>\$ 3,406,295</u> |

**CHOUTEAU COUNTY HOSPITAL DISTRICT
D/B/A/ MISSOURI RIVER MEDICAL CENTER**

FORT BENTON, MONTANA

**SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2014 AND 2013**

SCHEDULE OF MEDICAL SUPPLIES AND EXPENSES

| | <u>6/30/14</u> | <u>6/30/13</u> |
|---|---------------------|---------------------|
| Adults and Pediatrics | \$ 110,673 | \$ 87,071 |
| Skilled Nursing Facility | 124,412 | 134,051 |
| Personal Care | 1,844 | 5,255 |
| Radiology | 41,387 | 40,495 |
| Laboratory | 172,639 | 198,584 |
| CT Scanner | 58,913 | 70,499 |
| Blood | 132 | 1,446 |
| Oxygen | 24,227 | 18,249 |
| Physical, Occupational & Speech Therapy | 15,841 | 31,422 |
| Infection Control | 618 | 1,370 |
| Medical Supplies Charged To Patients | 107,977 | 89,134 |
| Drugs Charged to Patients | 84,574 | 129,081 |
| Clinic | 254,171 | 232,878 |
| Emergency | 5,385 | 6,398 |
| Home Health | - | 242 |
| Total Medical Supplies and Expenses | <u>\$ 1,002,793</u> | <u>\$ 1,046,175</u> |

SCHEDULE OF NON-MEDICAL SUPPLIES AND EXPENSES

| | <u>6/30/14</u> | <u>6/30/13</u> |
|---|-------------------|-------------------|
| Administrative and General | \$ 422,073 | \$ 350,000 |
| Operation of Plant | 208,442 | 176,673 |
| Laundry and Linen Service | 8,759 | 9,566 |
| Housekeeping | 22,553 | 21,517 |
| Dietary | 147,508 | 137,663 |
| Nursing Administration | 12,921 | 19,760 |
| Medical Records & Library | 3,975 | 3,558 |
| Social Service | 6,910 | 2,781 |
| Activities | 4,230 | 3,348 |
| Total Non-Medical Supplies and Expenses | <u>\$ 837,371</u> | <u>\$ 724,866</u> |

**CHOUTEAU COUNTY HOSPITAL DISTRICT
D/B/A MISSOURI RIVER MEDICAL CENTER**

FORT BENTON, MONTANA

**CONSOLIDATING STATEMENT OF NET POSITION
JUNE 30, 2014**

| | <u>Chouteau County Hospital District</u> | <u>Chouteau County Health Care Foundation</u> | <u>Consolidated</u> |
|--|--|---|---------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | \$ 992,482 | \$ - | \$ 992,482 |
| Cash and Cash Equivalents - Foundation | - | 153,135 | 153,135 |
| Accounts Receivable (Net) | 738,472 | - | 738,472 |
| Inventory | 105,859 | - | 105,859 |
| Prepaid Expenses | 38,090 | - | 38,090 |
| Tax Receivable | 13,925 | - | 13,925 |
| Estimated Medicare & Medicaid Receivable | 18,744 | - | 18,744 |
| Other Receivables | 166,747 | - | 166,747 |
| Total Current Assets | <u>2,074,319</u> | <u>153,135</u> | <u>2,227,454</u> |
| Noncurrent Cash and Investments | | | |
| Certificates of Deposit | 85,772 | - | 85,772 |
| Certificates of Deposit - Foundation | - | 23,000 | 23,000 |
| Restricted Cash in Bank - Foundation | - | 2,713 | 2,713 |
| Investments - Foundation | - | 675,235 | 675,235 |
| Equity in Montana Health Network | 50,000 | - | 50,000 |
| Total Noncurrent Cash and Investments | <u>135,772</u> | <u>700,948</u> | <u>836,720</u> |
| Capital Assets | | | |
| Land | 58,079 | - | 58,079 |
| Construction In Progress | 293,498 | - | 293,498 |
| Depreciable Capital Assets | 4,421,438 | - | 4,421,438 |
| Accumulated Depreciation | (3,777,553) | - | (3,777,553) |
| Net Capital Assets | <u>995,462</u> | <u>-</u> | <u>995,462</u> |
| Total Assets | <u>\$ 3,205,553</u> | <u>\$ 854,083</u> | <u>\$ 4,059,636</u> |

**CHOUTEAU COUNTY HOSPITAL DISTRICT
D/B/A/ MISSOURI RIVER MEDICAL CENTER**

FORT BENTON, MONTANA

**CONSOLIDATING STATEMENT OF NET POSITION
JUNE 30, 2014**

| | <u>Chouteau County Hospital District</u> | <u>Chouteau County Health Care Foundation</u> | <u>Consolidated</u> |
|--|--|---|---------------------|
| LIABILITIES AND NET POSITION | | | |
| Current Liabilities | | | |
| Accrued Payroll and Payroll Taxes Payable | \$ 353,223 | \$ - | \$ 353,223 |
| Accounts Payable | 118,387 | - | 118,387 |
| Accrued Interest Payable | 1,117 | - | 1,117 |
| Current Maturity of Long-Term Debt | 159,943 | - | 159,943 |
| Total Current Liabilities | 632,670 | - | 632,670 |
| Long-Term Liabilities | | | |
| Long-Term Debt, Net of Current Maturities | 139,749 | - | 139,749 |
| Total Liabilities | 772,419 | - | 772,419 |
| Net Position | | | |
| Invested in Capital Assets Net of Related Debt | 695,770 | - | 695,770 |
| Restricted | - | 25,713 | 25,713 |
| Unrestricted | 1,737,364 | 828,370 | 2,565,734 |
| Total Net Position | 2,433,134 | 854,083 | 3,287,217 |
| Total Liabilities and Net Position | \$ 3,205,553 | \$ 854,083 | \$ 4,059,636 |

**CHOUTEAU COUNTY HOSPITAL DISTRICT
D/B/A/ MISSOURI RIVER MEDICAL CENTER**

FORT BENTON, MONTANA

**CONSOLIDATING STATEMENT OF NET POSITION
JUNE 30,2013**

| | Chouteau County Hospital District | Chouteau County Health Care Foundation | Consolidated |
|--|--|---|---------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | \$ 1,410,647 | \$ - | \$ 1,410,647 |
| Cash and Cash Equivalents - Foundation | - | 35,899 | 35,899 |
| Accounts Receivable (Net) | 637,094 | - | 637,094 |
| Inventory | 111,480 | - | 111,480 |
| Prepaid Expenses | 49,108 | - | 49,108 |
| Tax Receivable | 10,188 | - | 10,188 |
| Estimated Medicare & Medicaid Receivable | 41,113 | - | 41,113 |
| Other Receivables | 3,354 | - | 3,354 |
| Total Current Assets | <u>2,262,984</u> | <u>35,899</u> | <u>2,298,883</u> |
| Noncurrent Cash and Investments | | | |
| Certificates of Deposit | 85,570 | - | 85,570 |
| Certificates of Deposit - Foundation | - | 23,000 | 23,000 |
| Restricted Cash in Bank - Foundation | - | 2,732 | 2,732 |
| Investments - Foundation | - | 684,812 | 684,812 |
| Equity in Montana Health Network | 45,000 | - | 45,000 |
| Total Noncurrent Cash and Investments | <u>130,570</u> | <u>710,544</u> | <u>841,114</u> |
| Capital Assets | | | |
| Land | 58,079 | - | 58,079 |
| Construction In Progress | 252,723 | - | 252,723 |
| Depreciable Capital Assets | 4,389,885 | - | 4,389,885 |
| Accumulated Depreciation | (3,579,140) | - | (3,579,140) |
| Net Capital Assets | <u>1,121,547</u> | <u>-</u> | <u>1,121,547</u> |
| Total Assets | <u>\$ 3,515,101</u> | <u>\$ 746,443</u> | <u>\$ 4,261,544</u> |

**CHOUTEAU COUNTY HOSPITAL DISTRICT
D/B/A/ MISSOURI RIVER MEDICAL CENTER**

FORT BENTON, MONTANA

**CONSOLIDATING STATEMENT OF NET POSITION
JUNE 30, 2013**

| | <u>Chouteau County Hospital District</u> | <u>Chouteau County Health Care Foundation</u> | <u>Consolidated</u> |
|--|--|---|----------------------------|
| LIABILITIES AND NET POSITION | | | |
| Current Liabilities | | | |
| Accrued Payroll and Payroll Taxes Payable | \$ 325,723 | | \$ 325,723 |
| Accounts Payable | 132,859 | | 132,859 |
| Accrued Interest Payable | 2,302 | | 2,302 |
| Current Maturity of Long-Term Debt | 145,271 | | 145,271 |
| Total Current Liabilities | <u>606,155</u> | <u>-</u> | <u>606,155</u> |
| Long-Term Liabilities | | | |
| Long-Term Debt, Net of Current Maturities | 219,370 | | 219,370 |
| Total Liabilities | <u>825,525</u> | <u>-</u> | <u>825,525</u> |
| Net Position | | | |
| Invested in Capital Assets Net of Related Debt | 756,906 | | 756,906 |
| Restricted | - | 25,732 | 25,732 |
| Unrestricted | 1,932,670 | 720,711 | 2,653,381 |
| Total Net Position | <u>2,689,576</u> | <u>746,443</u> | <u>3,436,019</u> |
| Total Liabilities and Net Position | <u><u>\$ 3,515,101</u></u> | <u><u>\$ 746,443</u></u> | <u><u>\$ 4,261,544</u></u> |

**CHOUTEAU COUNTY HOSPITAL DISTRICT
D/B/A/ MISSOURI RIVER MEDICAL CENTER**

FORT BENTON, MONTANA

**CONSOLIDATING STATEMENT OF NON-OPERATING REVENUES (EXPENSES)
YEAR ENDED JUNE 30, 2014**

| | Chouteau County Hospital District | Chouteau County Health Care Foundation | Consolidated |
|--|--|---|---------------------|
| Tax Revenues | \$ 498,383 | | \$ 498,383 |
| Noncapital Donations and Grants | 161,425 | 3,475 | 164,900 |
| Gain on Capital Assets | 161,840 | | 161,840 |
| Investment Income | 3,066 | 28,256 | 31,322 |
| Realized/Unrealized Gain/(Loss) on Investments | - | 81,092 | 81,092 |
| Interest Expense | (1,406) | | (1,406) |
| Foundation Expenses | - | (5,183) | (5,183) |
| Total Non-Operating Revenues (Expenses) | \$ 823,308 | \$ 107,640 | \$ 930,948 |

**CHOUTEAU COUNTY HOSPITAL DISTRICT
D/B/A MISSOURI RIVER MEDICAL CENTER**

FORT BENTON, MONTANA

**CONSOLIDATING STATEMENT OF NON-OPERATING REVENUES (EXPENSES)
YEAR ENDED JUNE 30, 2013**

| | Chouteau County Hospital District | Chouteau County Health Care Foundation | Consolidated |
|--|--|---|---------------------|
| Tax Revenues | \$ 462,765 | \$ - | \$ 462,765 |
| Noncapital Donations and Grants | 4,300 | 1,000 | 5,300 |
| Gain on Capital Assets | 19,494 | - | 19,494 |
| Investment Income | 2,532 | 11,103 | 13,635 |
| Realized/Unrealized Gain/(Loss) on Investments | - | 71,200 | 71,200 |
| Interest Expense | (3,129) | - | (3,129) |
| Foundation Expenses | - | (8,230) | (8,230) |
| Total Non-Operating Revenues (Expenses) | \$ 485,962 | \$ 75,073 | \$ 561,035 |



Douglas WILSON
and Company, PC

Board of Directors
Chouteau County Hospital District
d/b/a/ Missouri River Medical Center
Fort Benton, Montana

Randal J. Boysun, CPA
Gerard K. Schmitz, CPA
Michael A. Diekhans, CPA
Myra L. Bakke, CPA

Douglas N. Wilson, CPA
Bruce H. Gaare, CPA
Dixie L. Swanson, CPA

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the consolidated financial statements of Chouteau County Hospital District, d/b/a/ Missouri River Medical Center and Chouteau County Health Care Foundation, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which comprise Chouteau County Hospital District's, d/b/a/ Missouri River Medical Center's basic financial statements and have issued our report thereon dated _____.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Chouteau County Hospital District's, d/b/a/ Missouri River Medical Center's and Chouteau County Health Care Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Chouteau County Hospital District's, d/b/a/ Missouri River Medical Center's and Chouteau County Health Care Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of Chouteau County Hospital District's, d/b/a/ Missouri River Medical Center's and Chouteau County Health Care Foundation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness. See finding 2014-001.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies, as described above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chouteau County Hospital District's, d/b/a/ Missouri River Medical Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Chouteau County Hospital District's, d/b/a/ Missouri River Medical Center's Response to Findings

Chouteau County Hospital District's, d/b/a/ Missouri River Medical Center's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Chouteau County Hospital District's, d/b/a/ Missouri River Medical Center's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Great Falls, Montana

CHOUTEAU COUNTY HOSPITAL DISTRICT
D/B/A/ MISSOURI RIVER MEDICAL CENTER

FORT BENTON, MONTANA

SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2014

FINDING #2014-001

Condition: The Medical Center does not employ a chief financial officer (CFO).

Criteria: A complete accounting system includes a CFO to oversee the general ledger functions.

Context: In July of 2012 the Medical Center's CFO terminated and the Medical Center did not hire a replacement.

Effect: The end of the year general ledger had many accounts that were not reconciled to subsidiary ledgers or support documentation.

Cause: The Medical Center did not replace the CFO position.

Auditor is Recommendation: We recommend that the Medical Center hire a CFO to oversee the accounting department and to ensure that general ledger accounts get reconciled to subsidiary ledgers and support documentation each month.

Medical Center's Response:

The Center hired an outside party to review and reconcile balances monthly.

PRIOR YEAR FINDINGS

A summary of the prior year findings is as follows:

Same as above.