

**TETON COUNTY PUBLIC HOSPITAL DISTRICT  
d/b/a TETON MEDICAL CENTER**

**CHOTEAU, MONTANA**

**FINANCIAL STATEMENTS  
AS OF  
JUNE 30, 2014 AND 2013**

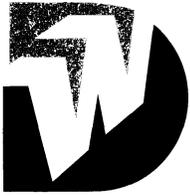
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***Douglas Wilson & Company, P.C.***

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**Douglas WILSON**  
and Company, PC

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d/b/a Teton Medical Center  
Choteau, Montana

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## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of the Teton County Public Hospital District d/b/a Teton Medical Center as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Teton County Public Hospital District d/b/a Teton Medical Center, as of June 30, 2014 and 2013, and the respective changes in financial position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Teton County Public Hospital District's d/b/a Teton Medical Center's basic financial statements. The supplemental information on pages 15-17 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental information is the responsibility of management and was 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 supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2014, on our consideration of the Teton County Public Hospital District's d/b/a Teton Medical Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Teton County Public Hospital District's d/b/a Teton Medical Center's internal control over financial reporting and compliance.



Great Falls, Montana  
November 17, 2014

**TETON COUNTY PUBLIC HOSPITAL DISTRICT  
D/B/A TETON MEDICAL CENTER**

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

	<b>6/30/14</b>	<b>6/30/13</b>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 724,394	\$ 513,968
Accounts Receivable (Net of Allowance for Doubtful Accounts of \$317,206 and \$341,712 respectively)	896,621	965,949
Medicare/Medicaid Receivable	183,940	119,252
Inventory	64,686	125,458
Prepaid Expenses	40,992	31,850
Total Current Assets	1,910,633	1,756,477
<b>Other Assets:</b>		
Montana Health Network Equity	25,387	25,387
Patronage Capital Credits	101,379	95,294
Total Other Assets	126,766	120,681
Property and Equipment (Net of Accumulated Depreciation)	1,535,539	1,712,432
Total Assets	<b>\$ 3,572,938</b>	<b>\$ 3,589,590</b>
<b>LIABILITIES AND NET POSITION</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 435,796	\$ 344,564
Accrued Payroll (Including Compensated Absences)	335,206	337,137
Accrued Interest Payable	1,186	1,479
Current Maturity of Leases Payable	27,372	27,372
Current Maturity of Long-term Debt	134,569	157,628
Total Current Liabilities	934,129	868,180
<b>Long-Term Liabilities:</b>		
Leases Payable Net of Current Maturities	10,022	37,394
Long-Term Debt Net of Current Maturities	223,890	359,710
Total Long-Term Liabilities	233,912	397,104
Total Liabilities	1,168,041	1,265,284
<b>Net Position:</b>		
Invested in Capital Assets Net of Related Debt	1,139,686	1,130,328
Unrestricted	1,265,211	1,193,978
Total Net Position	2,404,897	2,324,306
Total Liabilities and Net Position	<b>\$ 3,572,938</b>	<b>\$ 3,589,590</b>

See notes to the financial statements.

**TETON COUNTY PUBLIC HOSPITAL DISTRICT  
D/B/A TETON MEDICAL CENTER**

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

	<b>6/30/14</b>	<b>6/30/13</b>
Operating Revenues:		
Net Patient Services Revenue	\$ 6,197,585	\$ 6,720,327
Other Revenue	260,277	182,299
Total Operating Revenues	6,457,862	6,902,626
Operating Expenses:		
Salaries and Benefits	4,631,468	4,903,564
Medical Supplies and Expenses	1,050,648	969,723
Non-Medical Supplies and Expenses	744,602	815,775
Insurance	106,745	105,151
Depreciation	266,570	258,719
Total Operating Expenses	6,800,033	7,052,932
Operating Income (Loss)	(342,171)	(150,305)
Non-Operating Revenues (Expenses):		
Donations	233,825	88,576
Grant Income	114,393	425,544
Hospital District Subsidy	87,360	87,897
Interest Expense	(14,348)	(17,725)
Other Investment Income	1,532	3,023
Net Non-Operating Revenues	422,762	587,315
Revenues in Excess of Expenses	80,591	437,009
Net Position, Beginning of Year	2,324,306	1,887,297
Net Position, End of Year	<b>\$ 2,404,897</b>	<b>\$ 2,324,306</b>

See notes to the financial statements.

**TETON COUNTY PUBLIC HOSPITAL DISTRICT  
D/B/A TETON MEDICAL CENTER**

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

	<b>6/30/14</b>	<b>6/30/13</b>
<b>Cash Flows from Operating Activities:</b>		
Receipts from and on Behalf of Patients	\$ 6,202,225	\$ 6,634,423
Payments to Suppliers and Contractors	(1,765,218)	(2,254,515)
Payments to Employees	(4,633,399)	(4,642,039)
Other Operating Receipts	260,277	182,299
Net Cash Provided (Used) by Operating Activities	63,885	(79,832)
<b>Cash Flows from Noncapital Financing Activities:</b>		
Hospital District Subsidy	87,360	87,897
Noncapital Grants and Contributions	348,218	514,120
Net Cash Provided by Noncapital Financing Activities	435,578	602,017
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Principal Advanced (Paid) on Long-term Debt	(186,251)	(138,761)
Interest Paid on Long-term Debt	(14,641)	(18,119)
Purchase of Capital Assets	(89,677)	(141,535)
Net Cash Used by Capital and Related Financing Activities	(290,569)	(298,415)
<b>Cash Flows from Investing Activities:</b>		
Interest and Dividends on Investments	1,532	3,023
Net Cash Provided by Investing Activities	1,532	3,023
Net Increase (Decrease) in Cash	210,426	226,793
Cash and Cash Equivalents, Beginning of Year	513,968	287,175
Cash and Cash Equivalents, End of Year	\$ 724,394	\$ 513,968
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>		
Operating Income (Loss)	\$ (342,171)	\$ (150,306)
Adjustments to Reconcile Operating Income to Net Cash Flows Provided (Used) in Operating Activities		
Depreciation and Amortization	266,570	258,719
Changes in:		
Patient Accounts Receivable	69,328	(151)
Estimated Third-Party Payor Settlements	(64,688)	(85,753)
Supplies and Other Current Assets	51,630	(61,309)
Other Assets	(6,085)	(37,333)
Accounts Payable, Accrued Expenses and Other Current Liabilities	89,301	(3,699)
Net Cash Provided (Used) in Operating Activities	\$ 63,885	\$ (79,832)
<b>NONCASH FINANCING AND INVESTING ACTIVITIES:</b>		
Assets Purchased Through the Issuance of Debt	\$ -	\$ 138,234

See notes to the financial statements.

**TETON COUNTY PUBLIC HOSPITAL DISTRICT  
D/B/A TETON MEDICAL CENTER**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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**NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Organization** - Teton County Public Hospital District (the "District"), a medical facility of Teton County, Montana, became a Medical Assistance Facility (MAF) on February 16, 1995 and converted to a critical access hospital on September 1, 1999. The District also provides skilled nursing and intermediate care services in the nursing home. In 2009 the District opened a rural health clinic. The voters of Teton County, Montana, created a hospital tax district on July 1, 1978. The tax revenues raised, a maximum of three mills, are used by the District for the payment of debt and hospital operations. The District does not have the authority to levy taxes without the County's approval.

**Summary of Significant Accounting Policies:**

**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.

**Cash and Cash Equivalents** - Cash and cash equivalents include highly liquid investments with a maturity of three months or less, excluding amounts whose use is limited by Board designation or other arrangements under indenture agreements. Resident funds of \$1,178 and \$628 are included in cash equivalents at June 30, 2014 and 2013, respectively. Ninety-nine percent of the District's cash is included in Teton County's cash and investment pool and is managed by the County Treasurer in accordance with Montana Statute (MCA 7-14-233). The District's share of this pool is included on the Statement of Net Position as "Cash and Cash Equivalents." Investments of the pool consist of certificates of deposit, repurchase agreements, and the Montana Short-Term Investment Pool (STIP) managed by the Montana Board of Investments, all of which are allowed by Montana Statute and fully secured by United States Government Securities. The STIP is permitted to own derivative investments. The degree of market risk depends on the underlying portfolios of the investments, which were selected by STIP in accordance with its investment policy guidelines including risk management. The market risk associated with any derivative investments in the STIP is not apparent.

**Accounts Receivable** - Accounts receivable are carried net of an estimate for uncollectible and allowances. Accounts which are not considered collectible are written off against the allowance account. Bad debts and charity allowances are classified as deductions from revenue. The 2014 accounts receivable outstanding in excess of ninety days are \$386,362.

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

**Property and Equipment** - Property and equipment are stated at cost less accumulated depreciation computed using the straight-line method over estimated useful lives of the assets. Major expenditures for property, costing in excess of \$5,000 and those which substantially increase useful lives are capitalized. Maintenance, repairs, and minor replacements are expensed as incurred. When assets are retired or otherwise disposed of, cost and related accumulated

depreciation are removed from the accounts, and the resulting gains or losses are included in income (expense). All capital assets are depreciated or amortized using the straight-line method of depreciation over useful lives from 3 to 40 years.

**Net Patient Revenue** - Net patient service revenue is reported at the estimated net realizable amounts from patients, residents, third-party payors, and others for services rendered, including 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.

**Charity Care** - The District provides care to patients who meet certain criteria under its charity care policy. These charges are recorded as gross revenue and a deduction from gross revenue (approximately cost), because the District does not pursue collection of the amounts determined to be charity care.

**Contributions** - All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

**Income Taxes** - The District is a political subdivision of Teton County and is exempt from Federal income tax. Therefore, no income tax liability or expense is reflected in the accompanying financial statements.

**Malpractice Costs** - The District has malpractice insurance coverage with a claims-made policy. The District is exposed to various risk of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three proceeding years.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation** - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as is used for the proprietary fund financials statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirement imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are patient service fees. Operating expenses report on the costs to deliver the services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

Net position balances of the District and changes therein are classified and reported as follows:

- Invested in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation and outstanding debt attributable to the acquisition, construction or improvement of those assets.
- Restricted net position – Consist of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations, and enabling legislation, including self-imposed legal mandates.
- Unrestricted – Consists of all other net assets not included in the above categories.

**NOTE 2: NET PATIENT SERVICE REVENUE:**

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, ancillary services, certain outpatient services, and defined capital costs benefits are paid based on a cost reimbursement methodology. The District is paid for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's Medicare and Medicaid cost reports have been settled by the Medicare fiscal intermediary through June 30, 2013.
- **Nursing Home** - Medicaid patient room charges are based on a prospective system subject to the facility meeting certain staffing requirements. If the staffing requirements are not met, the facility is subject to a 10% penalty to be administered prospectively. Qualifying Medicare patient room charges are paid based on a prospective rate as the facility has elected this rather than cost reimbursement. All ancillary charges for both Medicare and Medicaid are paid under a cost reimbursement system.
- **Rural Health Clinic** - Physician services to Medicare and Medicaid patients are paid based on a cost reimbursement methodology. The District is reimbursed at a tentative rate with final settlement determined after the submission of the annual cost report and audit by the Medicare fiscal intermediary
- **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 estimated net Medicare receivable for 2014 is \$183,940. Changes in the final settlements due to Medicare audits will be recorded in the period the settlement is made.

**NOTE 3: PROPERTY AND EQUIPMENT:**

The major classifications of property and equipment are as follows:

	<b>Balance</b>			<b>Balance</b>
	<b>6/30/13</b>	<b>Additions</b>	<b>Deletions</b>	<b>6/30/14</b>
Building	\$ 2,815,450	\$ -	\$ -	\$ 2,815,450
Building Improvements	342,945	-	-	342,945
Benchmark Physical Therapy	235,400	-	-	235,400
Moveable Equipment	2,707,204	89,677	-	2,796,881
Total Property and Equipment	6,100,999	89,677	-	6,190,676
Allowance for Depreciation	(4,388,567)	(266,570)	-	(4,655,137)
Net Property and Equipment	<u>\$ 1,712,432</u>	<u>\$ (176,893)</u>	<u>\$ -</u>	<u>\$ 1,535,539</u>

	Balance 6/30/12	Additions	Deletions	Balance 6/30/13
Building	\$ 2,815,450	\$ -	\$ -	\$ 2,815,450
Building Improvements	342,945	-	-	342,945
Benchmark Physical Therapy	235,400	-	-	235,400
Moveable Equipment	2,427,433	279,771	-	2,707,204
Total Property and Equipment	5,821,228	279,771	-	6,100,999
Allowance for Depreciation	(4,129,848)	(258,719)	-	(4,388,567)
Net Property and Equipment	<u>\$ 1,691,380</u>	<u>\$ 21,052</u>	<u>\$ -</u>	<u>\$ 1,712,432</u>

#### NOTE 4: LONG-TERM LIABILITIES:

Long-term liability activity for the years ended June 30, 2014 and 2013, is as follows:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Approximate Amounts Due Within One Year
Notes Payable	\$ 517,338		\$ 158,879	\$ 358,459	\$ 134,569
Capital Lease Obligations	64,766		27,372	37,394	27,372
Total Long-Term Liabilities	<u>\$ 582,104</u>	<u>\$ -</u>	<u>\$ 186,251</u>	<u>\$ 395,853</u>	<u>\$ 161,941</u>

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Approximate Amounts Due Within One Year
Notes Payable	\$ 490,493	\$ 138,234	\$ 111,389	\$ 517,338	\$ 157,628
Capital Lease Obligations	92,138	-	27,372	64,766	27,372
Total Long-Term Liabilities	<u>\$ 582,631</u>	<u>\$ 138,234</u>	<u>\$ 138,761</u>	<u>\$ 582,104</u>	<u>\$ 185,000</u>

A summary of long-term debt obligations at June 30, 2014 and 2013 follows:

	6/30/14	6/30/13
Montana Board of Investments Intercap Bond, Series 1998, variable rate interest, currently 1.00%, semi-annual payments of \$7,878; due February 2017, unsecured.	\$ 54,371	\$ 71,059
Montana Board of Investments Intercap Bond, Series 1998, variable rate interest, currently 1.00%, semi-annual payments of \$2,114; due February 2017, unsecured.	14,591	19,070
Montana Board of Investments Intercap Bond, Series 2007, variable rate interest, currently 1.00%, semi-annual payments of \$730; due February 2017, unsecured.	4,986	6,534

<i>(Continued)</i>	<u>6/30/14</u>	<u>6/30/13</u>
Citizens State Bank, fixed rate interest of 4.95%, semi-annual payments of \$25,000; due December 2018, secured by Chattel	223,750	275,000
Montana Facility Finance Authority, fixed rate interest of 3.00%, monthly payments of \$1,372; due April 2015, secured by equipment.	13,531	29,328
U.S. Bank Equipment Finance. interest free, monthly payments of \$5,760; due March 2015, secured by software.	<u>47,230</u>	<u>116,347</u>
	358,459	517,338
Current Maturities	<u>(134,569)</u>	<u>(157,628)</u>
Long Term Debt	<u><u>\$ 223,890</u></u>	<u><u>\$ 359,710</u></u>

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

<u>June 30,</u>	<u>Long-Term Debt and Sinking Fund Requirements</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 134,569	\$ 11,402	\$ 145,971
2016	74,953	8,479	83,432
2017	75,187	5,749	80,936
2018	50,000	3,095	53,095
2019	23,750	619	24,369
	<u><u>\$ 358,459</u></u>	<u><u>\$ 29,344</u></u>	<u><u>\$ 387,803</u></u>

Total interest expense for the years ended June 30, 2014 and 2013 was \$14,348 and \$17,725, respectively.

#### NOTE 5: OBLIGATIONS UNDER CAPITAL LEASES:

The District leases equipment under capital leases. Cost basis and accumulated depreciation of equipment held under capital leases for the year ended June 30, 2013 was \$136,860 and \$73,453 respectively. Following is a schedule by years of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2014:

2015	\$ 27,372
2016	10,022
Total Minimum Lease Payments	<u>37,394</u>
Less Amount Representing Interest	<u>-</u>
Present Value of Minimum Lease Payments	37,394
Less Current Portion	<u>27,372</u>
Long-Term Portion	<u><u>\$ 10,022</u></u>

**NOTE 6: COMMITMENT AND CONTINGENCY:**

**Litigation** - The District is not currently involved in any known or anticipated litigation arising in the course of business.

**Self-Funded Workers' Compensation** - The District is a member of the Montana Health Network's Workers' Compensation Insurance Trust's self-insurance workers' compensation plan. The rates charged to individual facilities are based upon manual premiums, and were established to cover anticipated losses. The District's payroll represents approximately 0.5% 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 7: 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	35%	35%
Medicaid	6%	9%
Insurance	17%	13%
Private Payors	42%	43%

**NOTE 8: FUNCTIONAL EXPENSES:**

The District provides general healthcare services to residents within its geographic location. Expenses related to providing these services are as follows:

	<u>6/30/14</u>	<u>6/30/13</u>
Healthcare Services	\$ 4,269,606	\$ 4,370,971
General and Administrative	2,530,427	2,681,961
Total Operating Expenses	<u>\$ 6,800,033</u>	<u>\$ 7,052,932</u>

**NOTE 9: RELATED PARTY TRANSACTIONS:**

Teton Medical Center Foundation was established to solicit contributions from the general public to accomplish health services goals in the community and to contribute funds to the District for operations, maintenance, and capital improvements at the Center.

The Foundation also gave the District \$79,781 for capital and equipment needs for the year ended June 30, 2014.

**NOTE 10: EVALUATION OF SUBSEQUENT EVENTS:**

Accounting Standards establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued or are available to be issued.

Specifically, the standards set forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date.

Teton County Public Hospital District evaluated subsequent events through November 17, 2014, the date these financial statements were issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

**TETON COUNTY PUBLIC HOSPITAL DISTRICT  
d/b/a TETON MEDICAL CENTER**

**SCHEDULE OF NET PATIENT SERVICES REVENUE  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	Hospital				Nursing Home				Total		
	Inpatient		Outpatient		2014		2013		2014	2013	
	2014	2013	2014	2013							
<b>Nursing Services:</b>											
Room and Board	844,950	\$ 1,006,491	\$ -	\$ -	\$ 1,357,981	\$ 1,530,624	\$ 2,202,931	\$ 2,537,115			
Respite/Home Care	4,048	4,054	-	-	10,337	2,780	14,385	6,834			
Total Nursing Services	848,998	1,010,545	-	-	1,368,318	1,533,404	2,217,316	2,543,949			
<b>Ancillary Services:</b>											
Pharmacy	153,469	144,572	138,402	118,353	9,934	9,170	301,805	272,095			
Outpatient Services	-	-	85,489	73,125	-	-	85,489	73,125			
Laboratory	123,752	159,394	1,129,063	1,182,421	27,574	58,645	1,280,389	1,400,460			
Radiology	29,275	54,547	387,148	356,914	3,349	14,054	419,772	425,515			
IV Therapy	33,571	39,425	23,341	24,966	603	7	57,515	64,398			
Central Service Supplies	121,613	117,632	33,439	33,316	24,941	11,180	179,993	162,128			
Mammography	-	-	62,213	64,785	-	-	62,213	64,785			
Dexascan	-	-	17,019	13,105	-	-	17,019	13,105			
Observation	-	-	221,099	267,633	-	-	221,099	267,633			
EKG	12,136	22,963	102,497	120,477	-	462	114,633	143,902			
Respiratory Therapy	-	-	94	294	-	-	94	294			
Emergency Room	9,132	28,944	370,187	384,024	-	-	379,319	412,968			
Clinic Services	-	-	565,603	597,715	-	-	565,603	597,715			
Hospital Professionals	120,518	133,945	124,909	139,393	-	-	245,427	273,338			
Physical Therapy	58,119	86,453	760,728	630,655	1,253	1,526	820,100	718,634			
Speech/Occupational Therapy	23,757	23,861	57,473	113,767	5,152	1,763	86,382	139,391			
Total Ancillary Services	685,342	811,736	4,078,704	4,120,943	72,806	96,807	4,836,852	5,029,486			
<b>Total Patient Services Revenue</b>	<b>\$ 1,534,340</b>	<b>\$ 1,822,281</b>	<b>\$ 4,078,704</b>	<b>\$ 4,120,943</b>	<b>\$ 1,441,124</b>	<b>\$ 1,630,211</b>	<b>\$ 7,054,168</b>	<b>\$ 7,573,435</b>			
(Deductions from) Additions to Revenue:											
Contractual Adjustments					(596,459)		(596,459)	(555,015)			
Administrative Discount					(45,651)		(45,651)	(32,862)			
Bad Debts/Charity					(214,473)		(214,473)	(265,231)			
Total Deductions from Revenue					(856,583)		(856,583)	(853,108)			
<b>Net Patient Services Revenue</b>					<b>\$ 6,197,585</b>		<b>\$ 6,197,585</b>	<b>\$ 6,720,327</b>			

**TETON COUNTY PUBLIC HOSPITAL DISTRICT  
d/b/a TETON MEDICAL CENTER**

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

	<b>6/30/14</b>	<b>6/30/13</b>
<b>Schedule of Other Operating Revenue:</b>		
Miscellaneous	254,637	175,733
Rent	5,640	6,566
Total Other Operating Revenue	<b>\$ 260,277</b>	<b>\$ 182,299</b>
 <b>Schedule of Salaries and Benefits:</b>		
<b>Salaries:</b>		
Administrative and General	\$ 452,355	\$ 453,028
Operating of Plant	88,370	100,950
Laundry and Linen Service	26,981	25,922
Housekeeping	75,358	78,139
Dietary	187,803	207,887
Nursing Administration	78,953	136,134
Medical Records and Library	206,762	210,585
Social Service	69,368	66,439
Adult and Pediatrics	406,291	549,672
Skilled Nursing Facility	412,907	441,797
Radiology - Diagnostic	80,934	80,713
Laboratory	244,646	266,044
Physical & Occupational Therapy	369,380	375,704
Medical Supplies Charges to Patients	56,453	53,018
Emergency	466,006	388,157
Clinic	663,341	740,843
Total Salaries	<b>3,885,908</b>	<b>4,175,032</b>
 <b>Benefits:</b>		
FICA	273,474	295,175
Health Insurance	294,512	258,205
Workers' Compensation	69,672	70,172
Unemployment Taxes	35,313	40,520
Retirement	64,438	53,126
Employee Relations	8,151	11,334
Total Benefits	<b>745,560</b>	<b>728,532</b>
Total Salaries and Benefits	<b>\$ 4,631,468</b>	<b>\$ 4,903,564</b>

**TETON COUNTY PUBLIC HOSPITAL DISTRICT  
d/b/a TETON MEDICAL CENTER**

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

(Continued)

	<b>6/30/14</b>	<b>6/30/13</b>
<b>Schedule of Medical Supplies and Expenses:</b>		
Adult and Pediatrics	\$ 246,220	\$ 210,588
Skilled Nursing Facility	143,072	155,262
Radiology - Diagnostic	82,487	86,741
Laboratory	224,332	231,749
Respiratory Therapy	9,920	12,590
Physical Therapy	64,510	69,714
Speech/Occupational Therapy	6,447	11,264
Electrocardiology	348	611
Medical Supplies Charges to Patients	10,452	(32,644)
Drug Charges to Patients	175,582	133,648
Clinic	57,999	56,580
Emergency	29,279	33,620
Total Medical Supplies and Expenses	<b>\$ 1,050,648</b>	<b>\$ 969,723</b>
 <b>Schedule of Non-Medical Supplies and Expenses:</b>		
Administrative and General	\$ 399,206	\$ 394,535
Operating of Plant	140,194	156,866
Laundry and Linen Service	44,205	52,464
Housekeeping	14,260	13,597
Dietary	135,861	175,244
Nursing Administration	2,244	6,428
Medical Records and Library	7,327	15,099
Social Service	1,305	1,542
Total Non-Medical Supplies and Expenses	<b>\$ 744,602</b>	<b>\$ 815,775</b>



**Douglas WILSON**  
and Company, PC

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

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

Board of Directors  
Teton County Public Hospital District  
d/b/a Teton Medical Center  
Choteau, Montana

**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 financial statements of the Teton County Public Hospital District d/b/a Teton Medical Center, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Teton County Public Hospital District's d/b/a Teton Medical Center's basic financial statements and have issued our report thereon dated November 17, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Teton County Public Hospital District's d/b/a Teton Medical Center'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Teton County Public Hospital District's d/b/a Teton Medical Center's internal control. Accordingly, we do not express an opinion on the effectiveness of Teton County Public Hospital District's d/b/a Teton Medical Center's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Teton County Public Hospital District's d/b/a Teton 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as items 2014-1.

### **Teton County Public Hospital District's d/b/a Teton Medical Center's Response to Findings**

Teton County Public Hospital District's d/b/a Teton Medical Center's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Teton County Public Hospital District's d/b/a Teton 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  
November 17, 2014

**TETON COUNTY PUBLIC HOSPITAL DISTRICT  
d/b/a TETON MEDICAL CENTER**

**SCHEDULE OF AUDIT FINDINGS AND RESPONSES  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

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**FINDING 2014-1**

*Criteria:* Accounting principles generally accepted in the United States of America require the presentation of Management's Discussion and Analysis (MDA) as required supplementary information to accompany the basic financial statements.

*Condition:* The District has not presented MDA as required supplementary information to accompany the basic financial statements.

*Cause:* Management does not think that there is value to presenting the MDA.

*Effect:* The financial statements are not in conformity with Government Accounting Standards.

*Management Response:* Management has determined that the requirements of the Management Discussion and Analysis exceed the time available and capability of management of Teton County Public Hospital District. Further, because the statements are not government-wide statements, but a proprietary fund that has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board, the value of the MDA to the reader is limited.

**STATUS OF PRIOR YEAR'S FINDINGS**

Same finding as above. Not implemented.