Nevada City Hospital
d/b/a Nevada Regional Medical Center

A Component Unit of the City of Nevada, Missouri

Independent Auditor's Report and Financial Statements

June 30, 2018 and 2017

BKD
CPAs & Advisors

Nevada City Hospital
d/b/a Nevada Regional Medical Center
A Component Unit of the City of Nevada, Missouri
June 30, 2018 and 2017

Contents

Independent Auditor's Report **1**

Management's Discussion and Analysis **3**

Financial Statements

Balance Sheets 7

Statements of Revenues, Expenses and Changes in Net Position 8

Statements of Cash Flows 9

Notes to Financial Statements 11

Required Supplementary Information

Schedule of Changes in the Net Pension Asset and Related Ratios 35

Schedule of Medical Center Contributions 36

Supplementary Information

Patient Accounts Receivable 37

Net Patient Service Revenue 38

Other Revenue 40

Expenses 41

BKD
CPAs & Advisors

910 E. St. Louis Street, Suite 200 | P.O. Box 1190 | Springfield, MO 65801-1190
417.865.8701 | Fax 417.865.0682 | bkd.com

Independent Auditor's Report

Board of Directors
Nevada City Hospital
d/b/a Nevada Regional Medical Center
Nevada, Missouri

We have audited the accompanying financial statements of Nevada City Hospital, d/b/a Nevada Regional Medical Center (the "Medical Center"), a component unit of the City of Nevada, Missouri, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise Nevada Regional 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 audits. We conducted our audits 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 financial statements referred to above present fairly, in all material respects, the financial position of Nevada City Hospital, d/b/a Nevada Regional Medical Center, a component unit of the City of Nevada, Missouri, as of June 30, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying financial statements have been prepared assuming the Medical Center will continue as a going concern. As discussed in *Note 16,* the Medical Center has suffered recurring deficiencies of revenues over expenses and a decrease in liquidity, which raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in *Note 16*. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 audits 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Medical Center's basic financial statements. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Springfield, Missouri
December 11, 2018

Nevada City Hospital
d/b/a Nevada Regional Medical Center
A Component Unit of the City of Nevada, Missouri
Management's Discussion and Analysis
Years Ended June 30, 2018 and 2017

Introduction

This management's discussion and analysis of the financial performance of Nevada City Hospital, d/b/a Nevada Regional Medical Center (the "Medical Center"), provides an overview of the Medical Center's financial activities for the years ended June 30, 2018 and 2017. It should be read in conjunction with the accompanying financial statements of the Medical Center.

Financial Highlights

- Total cash and internally designated investments decreased by $1,051,522 and $5,751,099 in 2018 and 2017, respectively.
- The Medical Center reported operating losses of $3,387,360 and $5,656,983 in 2018 and 2017.

Using This Annual Report

The Medical Center's financial statements consist of three statements—a balance sheet; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These statements provide information about the activities of the Medical Center, including resources held by the Medical Center but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Medical Center is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about any medical center's finances is "Is the medical center as a whole better or worse off as a result of the year's activities?" The balance sheet and the statement of revenues, expenses and changes in net position report information about the Medical Center'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. Using the accrual basis of accounting means that 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 Medical Center's net position and changes in it. The Medical Center's total net position—the difference between assets, deferred outflows of resources, deferred inflows of resources, and liabilities—is one measure of the Medical Center's financial health or financial position. Over time, increases or decreases in the Medical Center's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Medical Center's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors should also be considered to assess the overall financial health of the Medical Center.

The Statement of Cash Flows

The statement of cash flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of 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 and cash equivalents during the reporting period.

The Medical Center's Net Position

The Medical Center's net position is the difference between its assets, deferred outflows of resources, deferred inflows of resources and liabilities reported in the Balance Sheet, as shown in Table 1.

Table 1: Assets, Deferred Outflows of Resources, Liabilities and Net Position

	2018	2017	2016
Assets			
Patient and other accounts receivable, net	$ 4,925,689	$ 5,629,797	$ 5,538,705
Other current assets	4,068,574	3,909,483	7,540,396
Capital assets, net	11,379,922	13,629,579	14,647,657
Net pension asset	7,468,403	5,436,032	3,952,746
Other noncurrent assets	2,537,078	3,173,773	5,287,001
Total assets	30,379,666	31,778,664	36,966,505
Deferred Outflows of Resources	1,851,510	3,181,902	5,609,632
Total assets and deferred outflows of resources	$ 32,231,176	$ 34,960,566	$ 42,576,137
Liabilities			
Long-term debt	$ 16,817,721	$ 16,806,977	$ 16,559,241
Current liabilities	7,117,147	7,067,055	8,541,025
Total liabilities	23,934,868	23,874,032	25,100,266
Deferred Inflows of Resources	1,844,636	512,177	484,262
Net Position			
Net investment in capital assets	(1,265,706)	150,699	1,575,456
Restricted expendable	8,172,173	6,149,050	4,660,221
Unrestricted	(454,795)	4,274,608	10,755,932
Total net position	6,451,672	10,574,357	16,991,609
Total liabilities, deferred inflows of resources and net position	$ 32,231,176	$ 34,960,566	$ 42,576,137

The Medical Center's net position decreased by $4,122,685 in 2018, and decreased by $6,417,252 in 2017.

During 2018, lower operating results contributed to the decrease in net position of $4,122,685. While net patient service revenue increased $2,443,062, operating expenses continued to exceed operating revenues which was the main driver of the decrease in net position.

During 2017, lower operating results contributed to the decrease in net position of $6,417,252. Lower revenues and higher expenses in 2017 compared to 2016 contributed to the decline.

A significant change in the Medical Center's assets in 2017 and 2016 was the decrease in capital assets of $2,249,657 and $1,018,078, respectively. The decrease was due to lower capital purchases compared to depreciation expense.

Operating Results and Changes in the Medical Center's Net Position

The Medical Center's net position decreased by $4,122,685 or 39% in 2018, and decreased by $6,417,252 or 36%, in 2017, as shown in Table 2.

	2018	2017	2016
Operating Revenues			
Net patient service revenue	$ 36,155,946	$ 33,712,884	$ 35,418,470
Other operating revenues	812,170	996,030	1,027,273
Total operating revenues	36,968,116	34,708,914	36,445,743
Operating Expenses			
Nursing services	8,326,064	7,973,047	7,432,462
Other professional services	15,161,107	14,389,792	13,830,024
General services	2,681,071	2,601,647	2,666,317
Administrative services	11,782,876	12,723,058	12,031,630
Depreciation	2,404,358	2,678,353	2,791,670
Total operating expenses	40,355,476	40,365,897	38,752,103
Operating Loss	(3,387,360)	(5,656,983)	(2,306,360)
Nonoperating Revenues (Expenses)			
Contributions	76,539	72,051	47,010
Investment income	(5,990)	(8,196)	46,833
Interest and amortization expense	(805,874)	(824,124)	(867,237)
Total nonoperating revenues (expenses)	(735,325)	(760,269)	(773,394)
Deficiency of Revenues Over Expenses	(4,122,685)	(6,417,252)	(3,079,754)
Decrease in Net Position	$ (4,122,685)	$ (6,417,252)	$ (3,079,754)

Operating Loss

The first component of the overall change in the Medical Center's net position is its operating loss—generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services.

The operating results for 2018 increased by $2,269,623 compared to 2017. The primary reason for the increase was the $2,259,202 increase in operating revenues as compared to the prior year, with operating expenses fairly consistent with 2017 amounts.

The operating results for 2017 decreased by $3,350,623 compared to 2016. The primary reason for the decrease was the $1,736,829 decrease in operating revenues as compared to the prior year, with operating expenses increasing $1,613,794.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of contributions, investment income and interest expense on debt. Amounts were consistent between 2016, 2017, and 2018.

The Medical Center's Cash Flows

Changes in the Medical Center's cash flows are consistent with changes in patient accounts receivable, operating results and nonoperating revenues and expenses discussed earlier.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2018 and 2017, the Medical Center had $11,379,922 and $13,629,579, respectively, invested in capital assets, net of accumulated depreciation, as detailed in *Note 5* to the financial statements.

Debt

At June 30, 2018 and 2017, the Medical Center had approximately $16.8 million and $17.7 million in long-term debt, as detailed in *Note 8* to the financial statements. In 2017, the Medical Center entered into a capital lease agreement for approximately $1.2 million.

Contacting the Medical Center's Financial Management

This financial report is designed to provide our patients, suppliers and creditors with a general overview of the Medical Center's finances and to show the Medical Center's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the CEO or the CFO by telephoning 417.667.3355.

Nevada City Hospital
d/b/a Nevada Regional Medical Center
A Component Unit of the City of Nevada, Missouri
Balance Sheets
June 30, 2018 and 2017

Assets and Deferred Outflows of Resources

	2018	2017
Current Assets		
Cash	$ 948,029	$ 1,402,900
Restricted cash and investments – current	703,770	713,018
Patient and other accounts receivable, net of allowance;		
2018 – $3,932,371; 2017 – $3,556,258	4,925,689	5,629,797
Estimated amounts due from third-party payers	991,632	384,304
Due from related party	76,129	186,570
Supplies	885,830	811,413
Prepaid expenses and other	463,184	411,278
Total current assets	8,994,263	9,539,280
Noncurrent Cash and Investments		
Restricted		
Held by trustee for debt service	2,234,351	2,275,716
Less amount required to meet current obligations	703,770	713,018
	1,530,581	1,562,698
Held by Foundation	322,294	309,514
Internally designated	409,833	1,006,484
	2,262,708	2,878,696
Capital Assets, Net	11,379,922	13,629,579
Other Assets	274,370	295,077
Net Pension Asset	7,468,403	5,436,032
Total assets	30,379,666	31,778,664
Deferred Outflows of Resources		
Debt refunding	1,367,142	1,470,322
Pension plan	484,368	1,711,580
Total deferred outflows of resources	1,851,510	3,181,902
Total assets and deferred outflows of resources	$ 32,231,176	$ 34,960,566

See Notes to Financial Statements

Liabilities, Deferred Inflows of Resources and Net Position

	2018	2017
Current Liabilities		
Current maturities of long-term debt	$ 982,377	$ 943,496
Accounts payable	2,588,507	2,551,239
Accrued payroll and payroll taxes	664,627	611,085
Accrued vacation pay	694,285	793,425
Accrued expenses	594,159	743,508
Accrued interest payable	167,957	176,563
Estimated amounts due to third-party payers	1,344,821	1,167,231
Funds held for others	80,414	80,508
Total current liabilities	7,117,147	7,067,055
Long-Term Debt	16,817,721	16,806,977
Total liabilities	23,934,868	23,874,032
Deferred Inflows of Resources – Pension Plan	1,844,636	512,177
Net Position		
Net investment in capital assets	(1,265,706)	150,699
Restricted – expendable for		
Debt service	703,770	713,018
Pension benefits	7,468,403	5,436,032
Unrestricted	(454,795)	4,274,608
Total net position	6,451,672	10,574,357
Total liabilities, deferred inflows of resources and net position	$ 32,231,176	$ 34,960,566

Nevada City Hospital
d/b/a Nevada Regional Medical Center
A Component Unit of the City of Nevada, Missouri
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2018 and 2017

	2018	2017
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2018 – $4,771,816, 2017 – $5,216,001	$ 36,155,946	$ 33,712,884
Other	812,170	996,030
Total operating revenues	36,968,116	34,708,914
Operating Expenses		
Nursing services	8,326,064	7,973,047
Other professional services	15,161,107	14,389,792
General services	2,681,071	2,601,647
Administrative services	11,782,876	12,723,058
Depreciation	2,404,358	2,678,353
Total operating expenses	40,355,476	40,365,897
Operating Loss	(3,387,360)	(5,656,983)
Nonoperating Revenues (Expenses)		
Contributions	76,539	72,051
Investment income	(5,990)	(8,196)
Interest and amortization expense	(805,874)	(824,124)
Total nonoperating revenues (expenses)	(735,325)	(760,269)
Deficiency of Revenues Over Expenses and Decrease in Net Position	(4,122,685)	(6,417,252)
Net Position, Beginning of Year	10,574,357	16,991,609
Net Position, End of Year	$ 6,451,672	$ 10,574,357

Nevada City Hospital
d/b/a Nevada Regional Medical Center
A Component Unit of the City of Nevada, Missouri
Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Operating Activities		
Receipts from and on behalf of patients	$ 36,430,316	$ 34,144,671
Payments to suppliers and contractors	(15,992,977)	(16,755,352)
Payments to and on behalf of employees	(21,714,843)	(20,904,435)
Other receipts, net	922,517	(254,761)
Net cash used in operating activities	(354,987)	(3,769,877)
Noncapital Financing Activities		
Proceeds from long-term debt	1,000,000	25,092
Contributions	76,539	72,051
Net cash provided by noncapital financing activities	1,076,539	97,143
Capital and Related Financing Activities		
Principal payments on long-term debt	(950,376)	(864,512)
Interest paid on long-term debt	(690,592)	(698,572)
Purchase of capital assets	(154,701)	(462,275)
Net cash used in capital and related financing activities	(1,795,669)	(2,025,359)
Investing Activities		
Proceeds from disposition of investments	619,246	2,041,977
Net cash provided by investing activities	619,246	2,041,977
Decrease in Cash	(454,871)	(3,656,116)
Cash, Beginning of Year	1,402,900	5,059,016
Cash, End of Year	$ 948,029	$ 1,402,900

Nevada City Hospital
d/b/a Nevada Regional Medical Center
A Component Unit of the City of Nevada, Missouri
Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Reconciliation of Operating Loss to Net Cash Used In Operating Activities		
Operating loss	$ (3,387,360)	$ (5,656,983)
Depreciation	2,404,358	2,678,353
Changes in operating assets and liabilities		
Patient accounts receivable, net and other receivables	704,108	(91,092)
Supplies	(74,417)	(15,243)
Prepaid expenses and other assets	585,835	750,717
Estimated amounts due from and to third-party payers	(429,738)	522,877
Unearned revenue	-	(1,064,221)
Accounts payable, accrued expenses and other liabilities	(157,773)	(894,285)
Net cash used in operating activities	$ (354,987)	$ (3,769,877)
Supplemental Cash Flows Information		
Capital assets acquired through capital lease obligation	$ -	$ 1,198,000

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

Nature of Operations and Reporting Entity

Nevada City Hospital, d/b/a Nevada Regional Medical Center (the "Medical Center"), is a component unit of the City of Nevada, Missouri, which owns and operates an acute care hospital in Nevada, Missouri. The Medical Center primarily earns revenue by providing inpatient, outpatient and emergency care services to patients in Nevada, Missouri, and the surrounding area. The Medical Center also operates a psychiatric unit, a home health agency and provides physician clinic services in the same geographic area.

As required by accounting principles generally accepted in the United States of America, these financial statements present the Medical Center and its component units, entities for which the Medical Center is considered to be financially accountable.

The determination of financial accountability includes consideration of a number of criteria, including: (1) the Medical Center's ability to appoint a voting majority of another entity's governing body and to impose its will on that entity, (2) the potential for that entity to provide specific financial benefits to or impose specific financial burdens on the Medical Center and (3) that entity's fiscal dependency on the Medical Center.

The Nevada Regional Medical Center Foundation, Inc. (Foundation) is included in the Medical Center's financial statements as a component unit. The Foundation is a legally separate not-for-profit corporation that is, in substance, a part of the Medical Center's operations. It is organized exclusively to benefit the Medical Center by raising charitable contributions on behalf of and holding the proceeds thereof for the Medical Center. Board members include the Medical Center's chief executive officer, a member of the Medical Center's Board of Directors, a member of the Nevada Regional Medical Center Auxiliary and between 15 and 19 elected members who are nominated by an appointed nominating committee.

Data of the Foundation is combined with data of the Medical Center for financial reporting purposes using the blending method. Transactions between the Medical Center and the Foundation are eliminated in combination.

Separate financial statements of the Foundation can be obtained by calling 417.667.3355 or writing to Nevada Regional Medical Center Foundation, 800 South Ash, Nevada, Missouri 64772.

Basis of Accounting and Presentation

The financial statements of the Medical Center have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated or voluntary nonexchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Medical Center first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risk Management

The Medical Center is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions and natural disasters. 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 Medical Center is self-insured for a portion of its exposure to risk of loss from employee health claims. The Medical Center self-insures against these claims (see *Note 7*). Annual estimated provisions are accrued for the self-insured portion of the claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Investments and Investment Income

Investments in U.S. Treasury, agency and instrumentality obligations with a remaining maturity of one year or less at time of acquisition and in nonnegotiable certificates of deposit are carried at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes dividend and interest income, realized gains and losses on investments carried at other than fair value and the net change for the year in the fair value of investments carried at fair value.

Patient Accounts Receivable

The Medical Center reports patient accounts receivable for services rendered at net realizable amounts from patients, third-party payers and others. The Medical Center provides an allowance for uncollectible accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Supplies

Supply inventories are valued at the lower of cost, determined using the first-in, first-out method, or market.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Medical Center:

Land and land improvements	15 to 20 years
Buildings	20 to 40 years
Equipment	3 to 10 years

Deferred Outflows of Resources

The Medical Center reports increases in net position that relate to future periods as deferred outflows of resources in a separate section of its balance sheets.

Compensated Absences

Medical Center policies permit most employees to accumulate vacation, holiday, personal and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation related payments such as social security and Medicare taxes and retirement computed using rates in effect at that date.

Defined Benefit Pension Plan

The Medical Center provides pension benefits to its employees through an agent multiple-employer defined benefit pension plan. For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Missouri Local Government Employees Retirement System (LAGERS) and additions to/deductions from LAGERS fiduciary net position have been determined on the same basis as they are reported by LAGERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources

The Medical Center reports decreases in net position that relate to future periods as deferred inflows of resources in a separate section of its balance sheets.

Net Position

Net position of the Medical Center is classified in three components. Net investment in capital assets, consists 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 is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or contributors external to the Medical Center, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings and pension benefits. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Net Patient Service Revenue

The Medical Center has agreements with third-party payers that provide for payments to the Medical Center at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Charity Care

The Medical Center provides charity care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

Income Taxes

As an essential government function of the County, the Medical Center is generally exempt from federal and state income taxes under applicable sections of the Internal Revenue Code and a similar provision of state law. However, the Medical Center is subject to federal income tax on any unrelated business taxable income.

Electronic Health Records Incentive Program

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records technology (EHR). Payments under the Medicare program are generally made for up to four years based on a statutory formula. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services. Payment under both programs are contingent on the Medical Center continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The Medical Center recognizes revenue ratably over the reporting period starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific requirements for the reporting period.

The Medical Center recorded no revenue related to the EHR program in 2018. In 2017, the Medical Center recorded revenue of approximately $267,000 related to the EHR incentive program which is included in other revenue within operating revenues in the statement of revenues, expenses and changes in net position.

340B Drug Pricing Program

The Medical Center participates in the 340B Drug Pricing Program (340B Program) which provides discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The 340B Program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits at participating health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to financial statement amounts related to the 340B Program could occur in the near term.

Revisions

Certain immaterial revisions have been made to the 2017 financial statements for corrections in operating activities within the statement of cash flows. These revisions did not have a significant impact on the financial statement line items impacted or total change in operating cash flows.

Subsequent Events

Subsequent events have been evaluated through December 11, 2018, which is the date the financial statements were available to be issued.

Note 2: Net Patient Service Revenue

The Medical Center has agreements with third-party payers that provide for payments to the Medical Center at amounts different from its established rates. These payment arrangements include:

Medicare. Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge or procedure. These rates vary according to patient classification systems that are based on clinical, diagnostic and other factors. Swing bed services are paid at prospectively determined per diem rates that are based on the patients' acuity. The Medical Center is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicare administrative contractor.

The Medical Center receives additional Medicare payments under a program for hospitals with under a certain number of discharges. Revenue of approximately $560,000 and $440,000 was received for 2018 and 2017, respectively.

Medicaid. Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed based on prospectively established rates.

The Medical Center receives reimbursement from the Medicaid program in relation to the percentage of Medicaid and indigent population they serve. Funding received in excess of costs to provide these services may be refunded. As of June 30, 2018 and 2017, a liability of $600,000 has been recorded for estimated repayments.

Approximately 60% and 68% of net patient service revenues are from participation in the Medicare and state-sponsored Medicaid programs for the years ended June 30, 2018 and 2017, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Medical Center has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Medical Center under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Note 3: Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. While the Medical Center does not have a written deposit policy, its practice has been to comply with the provisions of state law with regard to custodial credit risk.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Missouri, bonds of any city, county, school district or special road district of the state of Missouri; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At June 30, 2018 and 2017, none of the Medical Center's bank balances of $2,000,606 and $2,675,520, respectively, were exposed to custodial credit risk as uninsured and uncollateralized.

Investments

The Medical Center may legally invest in direct obligations of and other obligations guaranteed as to the principal by the U.S. Treasury and U.S. agencies and instrumentalities in bank repurchase agreements. It may also invest to a limited extent in equity securities.

At June 30, 2018 and 2017, the Medical Center had the following investments and maturities:

June 30, 2018

Type	Fair Value	Maturities in Years: Less Than 1	1-5	6-10	More Than 10
Money market mutual funds	$ 725,146	$ 725,146	$ -	$ -	$ -
U.S. government agency debt securities	723,427	-	723,427	-	$ -
Corporate bonds	785,778	-	785,778	-	-
Equity mutual funds	155,614	155,614	-	-	-
	$ 2,389,965	$ 880,760	$ 1,509,205	$ -	$ -

June 30, 2017

Type	Fair Value	Maturities in Years: Less Than 1	1-5	6-10	More Than 10
Money market mutual funds	$ 1,480,657	$ 1,480,657	$ -	$ -	$ -
Corporate bonds	792,822	-	792,822	-	-
Equity mutual funds	149,148	149,148	-	-	-
	$ 2,422,627	$ 1,629,805	$ 792,822	$ -	$ -

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the Medical Center's investment policy limits its investment portfolio to maturities of less than one year. The money market and equity mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Medical Center does not have a written policy addressing credit risk. At June 30, 2018, the Medical Center's money market mutual funds, held by its bond trustee, were rated AAA by Standard & Poor's and Aaa by Moody's Investors Service, and the equity mutual funds were not rated.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Medical Center will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Certain Medical Center investments are held by the counterparties in other than the Medical Center's name.

Concentration of Credit Risk – The Medical Center places no limit on the amount that may be invested in any one issuer. At June 30, 2018 and 2017, the Medical Center's investment in one money market fund constituted 30% and 61%, respectively, of its total investments.

Due to the level of risk associated with certain investment securities, including the underlying securities held by mutual funds, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying balance sheets.

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the balance sheets as follows:

	2018	2017
Carrying value		
Deposits	$ 1,524,542	$ 2,571,987
Investments	2,389,965	2,422,627
	$ 3,914,507	$ 4,994,614
Included in the following balance sheet captions		
Cash	$ 948,029	$ 1,402,900
Restricted cash and investments – current	703,770	713,018
Noncurrent cash and investments	2,262,708	2,878,696
	$ 3,914,507	$ 4,994,614

Note 4: Patient and Other Accounts Receivable

The Medical Center grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. Other receivables include amounts due from physicians and miscellaneous receivables. Accounts receivable at June 30, 2018 and 2017, consisted of:

	2018	2017
Medicare	$ 1,897,729	$ 1,791,882
Medicaid	1,251,057	1,154,584
Other third-party payers	3,447,017	3,720,771
Patients	1,681,217	2,066,163
	8,277,020	8,733,400
Less allowance for uncollectible accounts	3,932,371	3,556,258
	4,344,649	5,177,142
Other receivables	581,040	452,655
	$ 4,925,689	$ 5,629,797

Note 5: Capital Assets

Capital assets activity for the years ended June 30, 2018 and 2017, was:

	2018				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land and land improvements	$ 1,015,031	$ 47,244	$ -	$ -	$ 1,062,275
Buildings	31,096,816	31,368	-	(5,109)	31,123,075
Equipment	20,019,274	69,053	(64,701)	21,155	20,044,781
Work in progress	16,046	7,036	-	(16,046)	7,036
	52,147,167	154,701	(64,701)	-	52,237,167
Less accumulated depreciation					
Land and land improvements	267,552	13,372	-	-	280,924
Buildings	22,130,621	1,090,559	-	(56,078)	23,165,102
Equipment	16,119,415	1,300,427	(64,701)	56,078	17,411,219
	38,517,588	2,404,358	(64,701)	-	40,857,245
Capital assets, net	$ 13,629,579	$ (2,249,657)	$ -	$ -	$ 11,379,922

	2017				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land and land improvements	$ 1,010,860	$ 4,171	$ -	$ -	$ 1,015,031
Buildings	31,046,012	52,572	(1,768)	-	31,096,816
Equipment	18,745,360	1,602,693	(328,779)	-	20,019,274
Work in progress	15,207	839	-	-	16,046
	50,817,439	1,660,275	(330,547)	-	52,147,167
Less accumulated depreciation					
Land improvements	247,352	20,200	-	-	267,552
Buildings	21,027,823	1,104,566	(1,768)	-	22,130,621
Equipment	14,894,607	1,553,587	(328,779)	-	16,119,415
	36,169,782	2,678,353	(330,547)	-	38,517,588
Capital assets, net	$ 14,647,657	$ (1,018,078)	$ -	$ -	$ 13,629,579

Note 6: Medical Malpractice Claims

The Medical Center purchases medical malpractice insurance under a claims-made policy on a retrospective-rated premium basis. Adjustments of estimated to actual expense, if any, after the policy term, are included in the period such adjustments are determined. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incident. Based upon the Medical Center's claim experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Note 7: Employee Health Benefits

The Medical Center maintains self-insurance coverage for employee health benefits. Liabilities include an estimated accrual for the ultimate costs of both reported employee health claims and claims incurred but not reported and are included in accrued expenses in the accompanying financial statements. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Medical Center's estimate will change by a material amount in the near term. For the years ended June 30, 2018 and 2017, the Medical Center purchased stop-loss coverage of $75,000 per employee from a commercial insurer.

Changes in the balance of claims liabilities, which are included in accrued expenses, during the years ended June 30 are summarized as follows:

	2018	2017
Balance, beginning of year	$ 720,000	$ 1,175,000
Estimated current year claims incurred	2,636,731	2,812,480
Claims and expenses paid	(2,761,731)	(3,267,480)
Balance, end of year	$ 595,000	$ 720,000

Note 8: Long-Term Obligations

The following is a summary of long-term obligation transactions for the Medical Center for the years ended June 30, 2018 and 2017:

	2018				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-Term Debt					
Series 2007 Hospital Refunding and Improvement Revenue Bonds	$ 16,530,000	$ -	$ 850,000	$ 15,680,000	$ 885,000
Capital lease obligation	1,220,473	-	100,375	1,120,098	97,377
Nursing Home loan	-	1,000,000	-	1,000,000	-
Total long-term debt	$ 17,750,473	$ 1,000,000	$ 950,375	$ 17,800,098	$ 982,377

	2017				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-Term Debt					
Series 2007 Hospital Refunding and Improvement Revenue Bonds	$ 17,350,000	$ -	$ 820,000	$ 16,530,000	$ 850,000
Capital lease obligation	41,893	1,223,092	44,512	1,220,473	93,496
Total long-term debt	$ 17,391,893	$ 1,223,092	$ 864,512	$ 17,750,473	$ 943,496

Revenue Bonds Payable

The Series 2007 Revenue Bonds payable consists of Health Facilities Revenue Bonds (Bonds) in the original amount of $21,730,000 dated March 15, 2007, which bear interest at 3.700% to 4.375%. The Bonds are payable in graduated annual installments commencing October 1, 2009, and ending October 1, 2031. The Medical Center is required to make minimum monthly deposits of one-sixth of the amount of interest becoming due on all Bonds on the next succeeding interest payment date and one-twelfth of the principal of the Bonds becoming due on the next October 1 to the debt service fund held by the trustee. The Bonds are payable, both as to principal and interest, solely out of the net income and revenues arising from the operation of the facility after providing for the costs of operation and maintenance thereof, and from all other income made available to the Board of Directors including investment income and gifts, bequests, contributions, grants and all other monies, except to the extent otherwise limited by the donor or grantor. The City of Nevada and Board of Directors have pledged said net income and revenues and other income for the payment of such principal and interest. Payments of bond principal are also secured by an insurance policy issued by a commercial insurer.

The indenture agreement requires that certain funds be established with the trustee. Accordingly, these funds are included as assets held by trustee for debt service in the balance sheets. The indenture agreement also requires the Medical Center to comply with certain restrictive covenants including minimum insurance coverage, maintaining a historical debt-service coverage ratio of at least 1.15, certain days cash on hand and restrictions on incurrence of additional debt.

The Medical Center did not meet the days cash on hand requirement as of June 30, 2018. The bond indenture requires the Medical Center to obtain a consultant's report with recommendations to improve operations.

The debt service requirements as of June 30, 2018, on the Bonds are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2019	$ 1,538,686	$ 885,000	$ 653,686
2020	1,516,981	900,000	616,981
2021	1,504,225	925,000	579,225
2022	1,504,766	965,000	539,766
2023	1,503,145	1,005,000	498,145
2024 – 2028	7,437,967	5,640,000	1,797,967
2029 – 2032	5,839,560	5,360,000	479,560
	$ 20,845,330	$ 15,680,000	$ 5,165,330

Capital Lease Obligation

The Hospital is obligated under leases for buildings and equipment that are accounted for as capital leases. During 2017, the Medical Center entered into a capital lease with a related party (*Note 13*). Assets under capital leases at December 31, 2018 and 2017, totaled $2,120,098 and $1,220,473, respectively, net of accumulated depreciation of $75,089 and $55,253, respectively. The following is a schedule by year of future minimum lease payments under the capital lease including interest at rates of 1.50% to 6.71% together with the present value of the future minimum lease payments as of June 30, 2018:

Year Ending June 30,	
2019	$ 112,680
2020	90,494
2021	89,238
2022	89,238
2023	89,238
2024 – 2028	446,190
2029 – 2033	319,770
Total minimum lease payments	1,236,848
Less amount representing interest	116,750
Present value of future minimum lease payments	$ 1,120,098

Nursing Home Loan

During 2018, the Medical Center received $1,000,000 from Nevada City Nursing Home, d/b/a Moore-Few Care Center and Barone Care Center (the "Nursing Home"), which is also a component unit of the City of Nevada, Missouri. The Medical Center is required to pay the full amount back to the Nursing Home if it meets certain days cash on hand amounts (*Note 13*). The loan is unsecured with no interest.

Note 9: Designated Net Position

At June 30, 2018 and 2017, $409,833 and $1,006,484, respectively, of unrestricted net position have been designated by the Medical Center's Board of Directors for capital acquisitions. Designated net position remains under the control of the Board of Directors, which may at its discretion later use this net position for other purposes.

Note 10: Charity Care

The costs of charity care provided under the Medical Center's charity care policy were approximately $1,353,000 and $1,729,000 for the years ended June 30, 2018 and 2017, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

Note 11: Commitments

The Medical Center has entered into an agreement with a software provider for the purchase of an information technology system. Under this agreement the Medical Center is required to make expense payments for items such as remote hosting fees, maintenance and support, service agreements, etc., of approximately $750,000 each year through 2022. Payments are anticipated to be made from the Medical Center's operating cash flows. Expenses to the software providers were $1,075,244 and $993,991 in 2018 and 2017, respectively.

Note 12: Pension Plan

Plan Description

The Medical Center's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The Medical Center participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS' responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

Benefits Provided

LAGERS (Plan) provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of the employer, within the options available in the state statutes governing LAGERS. All benefits vest after five years of credited service. Employees who retire on or after age 60 with five or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 and receive a reduced allowance.

Benefit terms provide for annual postretirement adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4% per year.

The employees covered by the Plan at June 30, 2018 and 2017, are:

	2018	2017
Inactive employees or beneficiaries currently receiving benefits	185	183
Inactive employees entitled to but not yet receiving benefits	98	82
Active employees	261	263
	544	528

Contributions

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the employer do not contribute to the pension plan. For the years ended June 30, 2018 and 2017, the employer contribution rate was 3.1% and 2.7%, respectively.

Net Pension Asset

The Medical Center's net pension asset was measured as of June 30, 2018 and 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of February 29, 2018 and February 28, 2017, rolled forward to June 30, 2018 and 2017, respectively.

The total pension liability in the February 29, 2018 and February 28, 2017, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2018	2017
Inflation	2.50%	2.50%
Salary increases	3.25% to 6.55%, average, including inflation	3.25% to 6.55%, average, including inflation
Investment rate of return	7.25%, net of investment and administrative expenses	7.25%, net of investment and administrative expenses

Mortality rates in 2018 and 2017 were based on the healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees mortality table for males and females.

The actuarial assumptions used in the February 29, 2018, and February 28, 2017, valuations were based on the results of an actuarial experience study for the period March 1, 2010 through February 28, 2015.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	48.00%	4.81%
Fixed income	28.50%	1.72%
Real assets/Real return	23.50%	3.42%

Discount Rate

The discount rate used to measure the total pension liability was 7.25%, for both years ended June 30, 2018 and 2017. The projection of cash flows used to determine the discount rate assumes that employer contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the total pension liability, plan fiduciary net position and the net pension liability (asset) are:

	2018		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance, beginning of year	$ 30,408,851	$ 35,844,883	$ (5,436,032)
Changes for the year:			
Service cost	752,518	-	752,518
Interest	2,185,342	-	2,185,342
Differences between expected and actual experience	(659,631)	-	(659,631)
Contributions – employer	-	410,332	(410,332)
Net investment income	-	4,332,089	(4,332,089)
Benefit payments, including refunds of employee contributions	(1,294,408)	(1,294,408)	-
Administrative expense	-	(44,049)	44,049
Other	-	(387,772)	387,772
Net changes	983,821	3,016,192	(2,032,371)
Balance, end of year	$ 31,392,672	$ 38,861,075	$ (7,468,403)

	2017		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance, beginning of year	$ 29,199,434	$ 33,152,180	$ (3,952,746)
Changes for the year:			
Service cost	705,588	-	705,588
Interest	2,092,854	-	2,092,854
Differences between expected and actual experience	(206,621)	-	(206,621)
Contributions – employer	-	345,604	(345,604)
Net investment income	-	3,895,180	(3,895,180)
Benefit payments, including refunds of employee contributions	(1,382,404)	(1,382,404)	-
Administrative expense	-	(43,069)	43,069
Other	-	(122,608)	122,608
Net changes	1,209,417	2,692,703	(1,483,286)
Balance, end of year	$ 30,408,851	$ 35,844,883	$ (5,436,032)

The net pension asset of the Medical Center has been calculated using a discount rate of 7.25%. The following presents the net pension asset using a discount rate 1% higher and 1% lower than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Medical Center’s net pension asset	$ 2,870,391	$ 7,468,403	$ 11,216,245

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended June 30, 2018 and 2017, the Medical Center recognized pension expense of $937,632 and $1,209,782, respectively. At June 30, 2018 and 2017, the Medical Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ -	$ 862,611
Assumption changes	484,368	-
Net difference between projected and actual earnings on pension plan investments	-	982,025
Total	$ 484,368	$ 1,844,636

	2017	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ -	$ 512,177
Assumption changes	716,612	-
Net difference between projected and actual earnings on pension plan investments	994,968	-
Total	$ 1,711,580	$ 512,177

Amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2018, related to pensions will be recognized in pension expense as follows:

2019	$ 119,836
2020	(165,801)
2021	(818,253)
2022	(488,874)
2023	(7,176)
	$ (1,360,268)

Payable to LAGERS

At June 30, 2018 and 2017, the Medical Center reported a payable of $0 and $27,710 for the outstanding amount of contributions to the pension plan required for both years ended June 30, 2018 and 2017, which is included in accrued expenses in the accompanying financial statements.

Note 13: Related Party Transactions

Nevada City Nursing Home d/b/a Moore-Few Care Center and Barone Care Center

The Medical Center provides dietary, maintenance and administrative services to the Nursing Home. Approximately $1,632,000 and $1,440,000, respectively, of other expenses are directly allocated to the Nursing Home. Included in due from related party is an unsecured noninterest bearing amount of $76,129 and $186,570 due from the Nursing Home at June 30, 2018 and 2017, respectively, related to these services.

During 2017, the Nursing Home purchased property and two clinics for $1,198,000 which it then leased to the Medical Center. The Medical Center accounted for the transaction as a capital lease obligation (*Note 8*). The fifteen year lease began on February 2, 2017, and upon expiration of the lease the Nursing Home will transfer the property to the Medical Center. The Medical Center makes monthly lease payments of $7,437 which includes interest of 1.50%. Beginning three years from the inception of the lease and every three years thereafter, monthly lease payments shall be adjusted based on a three-year United States Treasury rate, with a floor of 1.50%.

During 2018, the Nursing Home loaned $1,000,000 to the Medical Center (*Note 8*).

Foundation

The Nursing Home has transferred funds to the Foundation for investment. The balance of such funds being held for the Nursing Home at June 30, 2018 and 2017, is $78,134 and $74,451, respectively, and is included in current liabilities as funds held for others.

Management Agreement

During 2018, a new management agreement was executed. The management team provided under a prior management agreement was replaced and management of the Medical Center is being provided by a nearby health system. The term of the new agreement is two years beginning on November 1, 2017, with an automatic two-year renewal on November 1, 2019. The annual fee under the agreement is $200,000, plus reimbursement for executive's compensation.

Note 14: Contingencies

Litigation

In the normal course of business, the Medical Center is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Medical Center's self-insurance program (discussed elsewhere in these notes) or by commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Medical Center evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Note 15: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2018 and 2017:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2018				
U.S. government agency debt securities	$ 723,427	$ -	$ 723,427	$ -
Corporate bonds	785,778	-	785,778	-
Equity mutual funds	155,614	155,614	-	-
June 30, 2017				
Corporate bonds	$ 792,822	$ -	$ 792,822	$ -
Equity mutual funds	149,148	149,148	-	-

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Note 16: Management's Consideration of Going Concern Matter

The Medical Center incurred deficiencies of revenues over expenses in 2018 and 2017 of $4,122,685 and $6,417,252, respectively, which contributed to a decline in liquidity to 11 days cash on hand as of June 30, 2018. The primary cause for the liquidity decline has been required debt service payments and capital purchases combined with negative operating cash flows. The financial statements have been prepared assuming the Medical Center will continue as a going concern, realizing assets and liquidating liabilities in the ordinary course of business. Management is seeking several alternatives for mitigating these conditions, including reduction of capital purchases, seeking additional revenue opportunities, adjustments to medical staff and reduction in expenses.

Required Supplementary Information

Nevada City Hospital
d/b/a Nevada Regional Medical Center
A Component Unit of the City of Nevada, Missouri
Required Supplementary Information
Schedule of Changes in the Net Pension Asset and Related Ratios

	2018	2017	2016	2015
Total Pension Liability				
Service cost	$ 752,518	$ 705,588	$ 659,381	$ 803,506
Interest on total pension liability	2,185,342	2,092,854	1,926,517	1,901,312
Changes in assumptions	-	-	1,181,100	-
Difference between expected and actual experience	(659,631)	(206,621)	(228,887)	(486,068)
Change in benefit terms	-	-	-	(621,081)
Benefit payments	(1,294,408)	(1,382,404)	(1,154,593)	(1,202,988)
Net Change in Total Pension Liability	983,821	1,209,417	2,383,518	394,681
Total Pension Liability – Beginning	30,408,851	29,199,434	26,815,916	26,421,235
Total Pension Liability – Ending (a)	31,392,672	30,408,851	29,199,434	26,815,916
Fiduciary Net Position				
Employer contributions	410,332	345,604	459,442	594,985
Net investment income	4,332,089	3,895,180	(79,813)	656,037
Benefit payments	(1,294,408)	(1,382,404)	(1,154,593)	(1,202,988)
Administrative expenses	(44,049)	(43,069)	(43,493)	(46,042)
Other	(387,772)	(122,608)	24,293	(41,044)
Net Change in Fiduciary Net Position	3,016,192	2,692,703	(794,164)	(39,052)
Fiduciary Net Position – Beginning	35,844,883	33,152,180	33,946,344	33,985,396
Fiduciary Net Position – Ending (b)	38,861,075	35,844,883	33,152,180	33,946,344
Medical Center's Net Pension Asset, Ending = (a) - (b)	$ (7,468,403)	$ (5,436,032)	$ (3,952,746)	$ (7,130,428)
Fiduciary Net Position as a Percentage of Total Pension Liability	123.79%	117.88%	113.54%	126.57%
Covered Payroll	$ 13,168,042	$ 12,399,005	$ 11,684,198	$ 11,090,655
Medical Center's Net Pension Asset as a Percentage of Covered Payroll	-56.72%	-43.84%	-33.83%	-64.29%

This schedule is required to present ten years of information under GASB 68. However, in accordance with GASB 68, the Medical Center has included only the information that is measured in accordance with its provisions that are available.

Nevada City Hospital
d/b/a Nevada Regional Medical Center
A Component Unit of the City of Nevada, Missouri
Required Supplementary Information
Schedule of Medical Center Contributions

Fiscal Year Ending June 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Payroll
2009	$ 424,292	$ 424,292	$ -	$ 10,102,205	4.20%
2010	467,966	467,966	-	10,635,580	4.40%
2011	864,686	614,382	250,304	11,377,453	5.40%
2012	864,409	747,598	116,811	11,681,208	6.40%
2013	806,960	806,960	-	12,044,180	6.70%
2014	755,140	755,140	-	11,622,204	6.50%
2015	595,335	594,985	350	11,376,911	5.23%
2016	458,710	459,442	(732)	12,071,323	3.81%
2017	345,177	345,604	(427)	12,784,308	2.70%
2018	408,560	410,332	(1,772)	13,180,613	3.11%

Notes to Schedule:

Valuation Date: February 29, 2018

The roll-forward of total pension liability from February 29, 2018, to June 30, 2018, reflects expected service cost and interest reduced by actual benefit payments.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal and modified terminal funding
Amortization methods	Level percentage amortization method
Remaining amortization period	Multiple bases from 15 to 16 years
Asset valuation method	5 year smoothed market, 20% corridor
Inflation	3.25% wage inflation, 2.50% price inflation
Salary increases	3.25% to 6.55%, including wage inflation
Net investment rate of return	7.25%, net of investment expenses
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees mortality table for males and females. Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.
Other information	None

Supplementary Information

Nevada City Hospital
d/b/a Nevada Regional Medical Center
A Component Unit of the City of Nevada, Missouri
Patient Accounts Receivable
June 30, 2018 and 2017

	2018 Amount	2018 Percent	2017 Amount	2017 Percent
Patient Accounts				
Medicare	$ 4,822,526	26.8%	$ 4,625,685	28.6%
Medicaid	2,808,756	15.6%	2,767,929	17.1%
Private insurance	5,608,465	31.2%	4,513,775	27.9%
Self-pay	4,741,127	26.4%	4,285,103	26.4%
	17,980,874	100.0%	16,192,492	100.0%
Other Receivables	581,040		452,655	
	18,561,914		16,645,147	
Allowance for Contractual Adjustments	(9,703,854)		(7,459,092)	
Allowance for Uncollectible Accounts	(3,932,371)		(3,556,258)	
	$ 4,925,689		$ 5,629,797	
Aging of Patient Accounts				
Discharged during the month of June (includes in-house and unbilled accounts)	$ 6,970,954	38.8%	$ 6,800,094	42.0%
May	1,810,860	10.0%	2,386,631	14.8%
April	1,593,903	8.9%	1,332,845	8.2%
March	1,393,967	7.8%	1,053,746	6.5%
Prior to March	6,211,190	34.5%	4,619,176	28.5%
	$ 17,980,874	100.0%	$ 16,192,492	100.0%

Nevada City Hospital
d/b/a Nevada Regional Medical Center
A Component Unit of the City of Nevada, Missouri
Net Patient Service Revenue
Years Ended June 30, 2018 and 2017

	2018	2017
Daily Patient Services		
Medical/surgical and swing bed	$ 3,662,896	$ 3,423,584
Obstetrics	1,470,219	1,298,566
Intensive care	689,301	542,337
Behavioral health unit	10,409,250	9,666,850
Senior psych	2,754,484	2,355,484
Hospitalist	760,162	684,830
Nursery	720,265	869,865
	20,466,577	18,841,516
Other Nursing Services		
Operating rooms	5,803,185	5,296,449
Recovery rooms	1,059,808	1,095,689
Delivery and labor rooms	984,309	978,189
Emergency service	8,211,272	7,498,085
	16,058,574	14,868,412
Other Professional Services		
Laboratory	622,251	2,236,087
Gastrointestinal lab	2,550,038	2,185,437
Transfusion service	528,975	415,708
Electrocardiology	1,003,473	851,147
Electroencephalography	36,462	35,472
Cardiac rehabilitation	410,371	345,908
Radiology	4,037,252	3,372,912
Nuclear medicine	940,183	767,351
Ultrasound	2,862,573	2,916,844
Computerized tomography	8,274,396	8,020,397
Magnetic resonance imaging	2,229,558	2,590,397
Pharmacy	7,049,627	6,138,413
Anesthesiology	2,206,848	2,179,870
Respiratory therapy	2,149,008	1,890,931
Physical therapy	1,602,936	1,399,485
Occupational therapy	469,259	476,161
Speech therapy	148,438	149,484
Occupational medicine	25,760	24,000
Wound/ostomy	1,211,323	1,273,747
Home health unit	100,182	583,099
Hospice	58,207	588,549
Emergency room physicians	4,630,942	4,381,143
Ambulatory care	500,719	256,995
Rich Hill clinic	400,719	453,047
Sheldon clinic	77,653	302,709
Orthopedic/specialty clinics	2,035,979	1,615,721
Physicians clinic	2,815,862	2,201,111
NowCare clinic	1,586,091	1,442,526
Psych/Op	278,371	346,322
Wellness	466,532	484,664
Hyperbaric	108,690	163,185
Microbiology	1,604,605	1,244,556
Hematology	2,469,617	1,605,615
Chemistry	6,041,912	4,854,870
NRPCC	742,534	603,482
Medical stability	180,359	323,647
Diabetic	34,183	45,125
Acceleration program	604,993	470,084
	63,096,881	59,236,201

Nevada City Hospital
d/b/a Nevada Regional Medical Center
A Component Unit of the City of Nevada, Missouri
Net Patient Service Revenue
Years Ended June 30, 2018 and 2017

	2018	2017
Gross Patient Service Revenue	$ 99,622,032	$ 92,946,129
Less Allowances		
Medicare contractual allowances	27,806,156	23,919,683
Medicaid contractual allowances	14,337,273	14,029,947
Other allowances	13,233,515	12,086,026
Charity care	3,317,326	3,981,588
Provision for uncollectible accounts	4,771,816	5,216,001
	63,466,086	59,233,245
Net Patient Service Revenue	$ 36,155,946	$ 33,712,884

Nevada City Hospital
d/b/a Nevada Regional Medical Center
A Component Unit of the City of Nevada, Missouri
Other Revenue
Years Ended June 30, 2018 and 2017

	2018	2017
Cafeteria	$ 233,989	$ 236,336
Transportation services	23,752	18,641
Miscellaneous	525,396	438,120
Electronic health records incentive program	-	267,000
Rental of office space	27,134	34,017
Reimbursement from Nevada City Nursing Home	1,899	1,916
	$ 812,170	$ 996,030

Nevada City Hospital
d/b/a Nevada Regional Medical Center
A Component Unit of the City of Nevada, Missouri
Expenses
Years Ended June 30, 2018 and 2017

	2018		
	Salaries	Supplies and Expense	Total
Nursing Services			
Nursing administration	$ 509,188	$ 42,539	$ 551,727
Medical and surgical	654,438	71,232	725,670
Obstetrics	456,157	56,862	513,019
Intensive care	268,701	32,825	301,526
Behavioral health unit	2,068,953	363,995	2,432,948
Senior pysch	507,207	15,085	522,292
Nursery	130,895	6,298	137,193
Operating and recovery rooms	460,349	595,448	1,055,797
Central service	34,131	71,335	105,466
Emergency service	1,379,559	133,467	1,513,026
Admissions	363,590	11,720	375,310
Diabetic	91,589	501	92,090
	6,924,757	1,401,307	8,326,064
Other Professional Services			
Laboratory	584,849	320,684	905,533
Gastrointestinal lab	60,122	84,968	145,090
Transfusion service	-	73,764	73,764
Electrocardiology	-	332,854	332,854
Cardiac rehabilitation	101,073	5,892	106,965
Radiology	295,700	338,756	634,456
Nuclear medicine	74,536	81,931	156,467
Ultrasound	143,098	43,747	186,845
Computerized tomography	65,838	209,995	275,833
Magnetic resonance imaging	50,952	133,074	184,026
Pharmacy	183,768	2,071,337	2,255,105
Anesthesiology	626,908	49,083	675,991
Respiratory therapy	246,629	66,143	312,772
Physical therapy	398,659	15,413	414,072
Occupational therapy	132,986	6,938	139,924
Speech therapy	80,740	1,428	82,168
Sports medicine	38,866	-	38,866
Acceleration program	44,768	85,552	130,320
Wound/ostomy	159,068	82,822	241,890
Home health unit	72,111	20,697	92,808
Hospice	14,974	29,161	44,135
Medical records	467,248	5,850	473,098
Emergency room physicians	13,362	1,596,242	1,609,604
Social service	71,261	847	72,108
Ambulatory care	199,072	43,670	242,742
Rich Hill clinic	195,386	43,406	238,792
Sheldon clinic	275,190	48,843	324,033
Orthopedic/specialty clinics	8,936	518,249	527,185
Physicians clinic	792,748	402,696	1,195,444
NowCare clinic	378,310	110,758	489,068
Psych/Op	78,591	995	79,586
Hyperbaric	55,816	5,377	61,193
Hospitalist	-	812,595	812,595
Wellness	49,129	92,731	141,860
Microbiology	-	156,295	156,295
Hematology	-	49,348	49,348
Chemistry	-	144,069	144,069
NRPCC	760,183	87,812	847,995
Medical stability	259,656	6,552	266,208
	6,980,533	8,180,574	15,161,107

Salaries	2017 Supplies and Expense	Total
$ 518,064	$ 36,131	$ 554,195
753,279	84,936	838,215
478,030	68,672	546,702
188,857	38,939	227,796
1,886,336	708,545	2,594,881
472,889	7,779	480,668
145,879	5,037	150,916
451,978	628,109	1,080,087
32,765	60,977	93,742
823,497	126,307	949,804
365,632	12,209	377,841
74,131	4,069	78,200
6,191,337	1,781,710	7,973,047
562,477	213,835	776,312
57,004	79,891	136,895
-	46,094	46,094
-	180,229	180,229
99,265	5,710	104,975
266,678	129,123	395,801
67,077	81,157	148,234
153,114	48,166	201,280
67,276	135,057	202,333
49,417	118,729	168,146
261,911	1,719,451	1,981,362
499,411	173,624	673,035
264,109	84,130	348,239
351,394	16,792	368,186
121,242	3,298	124,540
77,513	830	78,343
49,847	-	49,847
5,409	53,298	58,707
157,434	108,859	266,293
461,187	59,769	520,956
220,527	181,990	402,517
507,619	6,887	514,506
52,175	1,619,531	1,671,706
74,531	897	75,428
202,854	46,457	249,311
281,020	32,899	313,919
414,813	123,241	538,054
3,249	490,206	493,455
792,204	64,312	856,516
375,561	73,237	448,798
100,236	3,833	104,069
52,405	20,812	73,217
-	864,702	864,702
49,804	58,251	108,055
-	110,655	110,655
-	53,543	53,543
-	145,310	145,310
191,426	144,800	336,226
190,759	9,239	199,998
7,080,948	7,308,844	14,389,792

Nevada City Hospital
d/b/a Nevada Regional Medical Center
A Component Unit of the City of Nevada, Missouri
Expenses
Years Ended June 30, 2018 and 2017

	2018 Salaries	2018 Supplies and Expense	2018 Total
General Services			
Dietary	$ 422,661	$ 470,923	$ 893,584
Laundry	28,090	160,824	188,914
Plant operation and maintenance	257,260	916,374	1,173,634
Housekeeping	338,538	46,938	385,476
Transportation	-	39,463	39,463
	1,046,549	1,634,522	2,681,071
Administrative Services			
Foundation	17,561	39,851	57,412
General accounting	153,572	253,332	406,904
Business office	332,231	154,846	487,077
Data processing	305,101	1,099,836	1,404,937
Administrative	982,811	1,109,732	2,092,543
Medicaid provider assessment	-	1,877,077	1,877,077
Personnel	54,405	64,698	119,103
Employee health	7,889	18,167	26,056
Storeroom	173,607	-	173,607
Insurance	-	332,348	332,348
Employee benefits	-	4,805,812	4,805,812
	2,027,177	9,755,699	11,782,876
Depreciation	-	2,404,358	2,404,358
	$ 16,979,016	$ 23,376,460	$ 40,355,476

	2017	
Salaries	Supplies and Expense	Total
$ 429,502	$ 420,065	$ 849,567
25,267	171,294	196,561
253,411	899,583	1,152,994
323,658	38,198	361,856
-	40,669	40,669
1,031,838	1,569,809	2,601,647
26,413	28,998	55,411
158,008	249,952	407,960
340,341	159,973	500,314
312,487	1,080,106	1,392,593
915,122	1,370,431	2,285,553
-	2,229,249	2,229,249
41,787	50,102	91,889
16,326	13,496	29,822
153,770	-	153,770
-	386,213	386,213
-	5,190,284	5,190,284
1,964,254	10,758,804	12,723,058
-	2,678,353	2,678,353
$ 16,268,377	$ 24,097,520	$ 40,365,897