

**Teton County Hospital District
d/b/a St. John's Medical Center**

Independent Auditor's Reports and Financial Statements

June 30, 2019 and 2018

**Teton County Hospital District
d/b/a St. John's Medical Center
June 30, 2019 and 2018**

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Independent Auditor's Report

Board of Trustees
Teton County Hospital District
d/b/a St. John's Medical Center
Jackson, Wyoming

We have audited the accompanying financial statements of Teton County Hospital District d/b/a St. John's Medical Center (the District), and St. John's Hospital Foundation (the Foundation), its discretely presented component unit, as of and for the years ended June 30, 2019 and 2018, 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 opinions 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 opinions.

Board of Trustees
Teton County Hospital District
d/b/a St. John's Medical Center

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2019 and 2018, 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

As discussed in Note 2 to the financial statements, the 2018 financial statements have been restated to correct a misstatement. 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, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2019, on our consideration of the District'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 the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BKD, LLP

Colorado Springs, Colorado
November 8, 2019

**Teton County Hospital District
d/b/a St. John's Medical Center
Management's Discussion and Analysis
(Unaudited)
Years Ended June 30, 2019 and 2018**

Introduction

This management's discussion and analysis of Teton County Hospital District d/b/a St. John's Medical Center's (the District) financial performance provides an overview of the District's financial activities for the fiscal years ended June 30, 2019 and 2018. The District operates under a July 1 to June 30 fiscal year. Please read this analysis in conjunction with the District's financial statements. Unless otherwise noted, the information and financial data included in management's discussion and analysis relates solely to the District.

Financial Highlights

- The District's net position increased in 2019 from \$153 million to \$167 million and increased in 2018 from \$148 million to \$153 million. The increases are 9.1% and 3.3%, respectively.
- The District's cash and cash equivalents (included in current assets) decreased in 2019 by \$9.5 million, or 29.8%, and by \$5.1 million, or 13.8% in 2018.
- The District's cash and cash equivalents were \$22,366,886 for 2019 and \$31,849,915 for 2018.
- The District's noncurrent cash and investments increased \$3.1 million, or 10.6%, from \$29,403,132 to \$32,526,509 during fiscal year 2019, and increased \$1.4 million or 5.0%, in fiscal year 2018.
- The District reported an operating loss of \$1,391,397 in fiscal year 2019 and an operating loss of \$588,062 in fiscal year 2018.
- Operating revenues increased by \$10,202,199 and \$6,844,560, or 8.9%, and 6.4% in fiscal years 2019 and 2018, respectively.
- Operating expenses increased in 2019 by 9.6% and 2018 by 8.0%.
- Capital contributions were \$850,000 and \$1,711,267 during 2019 and 2018, respectively.
- Property tax revenues received per year in 2019 and 2018 were \$5.5 million and \$4.8 million, respectively.

Using this Annual Report

The District's financial statements consist of three statements – balance sheets; statements of revenues, expenses and changes in net position; and statements of cash flows. These statements provide the reader with information about the financial activities of the District, including resources held by the District but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The District 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.

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The Balance Sheets and Statements of Revenues, Expenses and Changes in Net Position

One of the most important questions to ask about the District's financial health or stability is, "Is the District, as a whole, in a better financial position as a result of the current fiscal year's activities?" The balance sheets and the statements of revenues, expenses and changes in net position report information about the District's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenue and expense activities are taken into account or recorded regardless of when cash is received or paid.

These two statements report the District's net position and all associated changes. You can think of the net position – the difference between assets and liabilities – as one way to measure the District's financial health or financial position. Over time, increases or decreases in the net position are one indicator of whether the District's financial health is improving or deteriorating. You will also need to consider other nonfinancial factors, such as changes in the patient service volume, payer mix, and measures of the quality of service provided to the community, as well as local economic factors to assess the overall health of the District.

The Statements of Cash Flows

The final required statements are the statements of cash flows. The statements of cash flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from operations, investing activities, noncapital financing activities and capital and related financing activities. The statements provide information on sources of cash, what the cash was used for, and what the change in cash balance was during the reporting period.

The District's Net Position

The District's net position is the difference between its assets and liabilities reported in the balance sheets. As mentioned above, the District's net position was approximately \$167 million in 2019, a 9.1% increase over 2018. Net position was approximately \$153 million in 2018, a 3.3% increase over 2017. The increase for 2019 and 2018 represents a 12.4% increase overall compared to total net position as of June 30, 2017, as shown in Table 1.

**Teton County Hospital District
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Management's Discussion and Analysis
(Unaudited)
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Table 1: Assets, Deferred Outflows of Resources, Liabilities and Net Position

	2019	2018 (Restated)	2017
Assets and Deferred Outflows of Resources			
Cash and cash equivalents	\$ 22,366,886	\$ 31,849,915	\$ 36,960,199
Patient accounts receivable, net	-	-	12,846,428
Other current assets	41,802,847	27,458,231	9,174,551
Noncurrent cash and investments	32,526,509	29,403,132	27,984,338
Capital assets, net	<u>108,288,480</u>	<u>95,993,058</u>	<u>93,609,989</u>
Total assets	204,984,722	184,704,336	180,575,505
Deferred Outflows of Resources			
Loss on refunding of debt	<u>195,808</u>	<u>250,823</u>	<u>311,463</u>
Total assets and deferred outflows of resources	<u><u>\$ 205,180,530</u></u>	<u><u>\$ 184,955,159</u></u>	<u><u>\$ 180,886,968</u></u>
Liabilities			
Other current liabilities	\$ 15,037,108	\$ 10,571,964	\$ 10,613,115
Long-term debt outstanding	22,419,343	20,630,233	21,436,134
Other long-term liabilities	<u>790,000</u>	<u>790,000</u>	<u>790,000</u>
Total liabilities	38,246,451	31,992,197	32,839,249
Net Position			
Net investment in capital assets	85,897,663	79,191,190	75,846,668
Restricted expendable for capital acquisitions	7,541,844	-	-
Unrestricted	<u>73,494,572</u>	<u>73,771,772</u>	<u>72,201,051</u>
Total net position	<u>166,934,079</u>	<u>152,962,962</u>	<u>148,047,719</u>
Total liabilities and net position	<u><u>\$ 205,180,530</u></u>	<u><u>\$ 184,955,159</u></u>	<u><u>\$ 180,886,968</u></u>

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Significant Changes

Both the overall assets and liabilities have increased in Table 1, however, as a dollar value, the assets are growing at a greater pace. Detailed asset variances are explained below.

- The District's current cash combined with noncurrent cash and investments declined during FY 2019. This decrease is due to expenditures on strategic investments such as the conversion to a leading edge electronic medical record to support "one patient, one record, one portal, one bill", employee housing to increase retention and help with recruiting, equipment to support specialized revenue centers and construction to support the growth of the District.
- Also contributing to the decline of cash was the increase of patient accounts receivable, net. One of the reasons for this increase is that the District's primary private payor implemented a mid-year, large scale system conversion. Complications, which normally occur with a system conversion, have resulted in claim payment delays. The District is confident that the claims will be paid, although at a slower rate than usual, as the payor continues to calibrate its' new system and adjusts to the new processes. The increase in account receivables also correlates to the increase in gross revenue. Fiscal year 2019 saw a 12% growth of gross outpatient revenue and 3% growth in gross inpatient revenue. Most of this inpatient growth was due to the District's revitalization of their swing bed program. Instead of automatically placing transitional care patients in the long-term care unit, the District triaged the qualifying patients between the long-term care unit and the swing bed in the primary care unit. This is in line with one of the District's goals to reduce patient readmissions and improve the patient experience.
- Capital assets increased during fiscal year 2019 primarily due to the electronic medical record (EMR) conversion, the purchase of a Mako surgical robot, the purchase of land for a future employee housing project, installation of new roof, and both a basement and OR remodel. The EMR conversion was the primary driver of the increase. In order to provide the community and staff a fully-integrated enterprise electronic medical record solution, the District embarked on a physician led EMR evaluation/selection process a couple of years ago. This led to the selection of Cerner which went live October 22, 2018.
- The growth of total net position is the result of positive revenue growth and the District's focus on providing a stable platform to support new initiatives in the upcoming years. See the discussion on the change of the District's net position after Table 2 for more details.

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Table 2: Operating Results and Changes in Net Position

	2019	2018	2017
Operating Revenues			
Net patient service revenues, net of provision for uncollectible accounts; 2019 - \$3,150,120, 2018 - \$4,361,412 and 2017 - \$2,129,701	\$ 121,138,397	\$ 111,280,445	\$ 104,801,802
Other operating income	<u>3,580,669</u>	<u>3,236,422</u>	<u>2,870,505</u>
Total operating revenues	<u>124,719,066</u>	<u>114,516,867</u>	<u>107,672,307</u>
Operating Expenses			
Salaries and benefits	68,894,633	63,990,832	57,561,464
Purchased services and physician fees	19,393,531	17,046,789	15,609,281
Supplies	20,246,965	17,537,416	16,882,837
Other expenses	10,149,053	9,213,657	9,685,021
Depreciation and amortization	<u>7,426,281</u>	<u>7,316,775</u>	<u>6,887,742</u>
Total operating expenses	<u>126,110,463</u>	<u>115,105,469</u>	<u>106,626,345</u>
Operating Income (Loss)	<u>(1,391,397)</u>	<u>(588,602)</u>	<u>1,045,962</u>
Nonoperating Expenses			
Interest expense	<u>1,219,004</u>	<u>1,243,974</u>	<u>1,265,002</u>
Total nonoperating expenses	<u>1,219,004</u>	<u>1,243,974</u>	<u>1,265,002</u>
Income after Interest Expense and Before Other Nonoperating Revenues (Expenses)	<u>(2,610,401)</u>	<u>(1,832,576)</u>	<u>(219,040)</u>
Other Nonoperating Revenues (Expenses)			
Property taxes	5,522,915	4,819,863	4,518,636
Interest income	835,331	656,478	518,905
Investment losses in community programs	(337,211)	(314,424)	(225,715)
Gain (loss) on disposal of capital assets	<u>15,484</u>	<u>163,179</u>	<u>(106,120)</u>
Net other nonoperating revenues (expenses)	<u>6,036,519</u>	<u>5,325,096</u>	<u>4,705,706</u>
Excess of Revenues Over Expenses Before Capital Contributions	<u>3,426,118</u>	<u>3,492,520</u>	<u>4,486,666</u>

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	2019	2018	2017
Excess of Revenues Over Expenses Before Specific Purpose Excise Tax, Capital Contributions and Unrealized Gain (Loss) on Investments	<u>3,426,118</u>	<u>3,492,520</u>	<u>4,486,666</u>
Specific Purpose Excise Tax	9,243,155	-	-
Capital Contributions	850,000	1,711,267	2,768,066
Unrealized Gain (Loss) on Investments	<u>451,844</u>	<u>(288,544)</u>	<u>(372,297)</u>
Increase in Net Position	<u>13,971,117</u>	<u>4,915,243</u>	<u>6,882,435</u>
Net Position, Beginning of Year	<u>152,962,962</u>	<u>148,047,719</u>	<u>141,165,284</u>
Net Position, End of Year	<u><u>\$ 166,934,079</u></u>	<u><u>\$ 152,962,962</u></u>	<u><u>\$ 148,047,719</u></u>

Operating Results and Changes in the District's Net Position

The District has been recognized for its focus on quality and patient experience by receiving the CMS five star rating for both its hospital and nursing home. This ranks the District among the top 8% of hospitals/hospital groups nationwide. The overall star rating includes quality measures such as mortality, effectiveness of care, efficiency of care, timeliness of care, readmissions, staffing and patient experience scores. In addition, the District was recognized by Quantros as top 10% in the nation for overall hospital care, received the Women's Choice Award for Best Hospitals in America for orthopedics, emergency, obstetrics and patient experience and U.S. News and World Report named St. John's as one of their "Best Nursing Homes". This coincides with the District's focus on successful outcomes and patient-centered concepts coupled with enhancement of the community's awareness of these objectives, which have all contributed to the District's increase in net position year over year.

In 2019, the District's increase in net position was \$13,971,117, as shown in Table 2. The increase in net position is made up of the following components:

Operating Income

The first component of the overall change in the District's net position is its operating income or loss; generally, the difference between net patient service revenue and the expenses incurred to perform those services. The District had operating losses of \$1,391,397 and \$588,602 for fiscal years 2019 and 2018, respectively.

- Although the District had operating losses in consecutive fiscal years, there was a growth of gross revenue for both years.

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- During fiscal year 2019 the District experienced a 30% growth of inpatient volume. This is primarily due to reinvigorating the hospital's swing bed program. During the past few years, patients were directed to the long term care unit for transitional care. Beginning in fiscal year 2019, the patients are triaged between the long term care unit and the primary care unit swing beds, which enhances the patient experience and provides improved patient care.
- During fiscal year 2019, the District added brachytherapy, urology, pain management, and robotic joint surgeries to its service lines, which also bolstered revenue. In addition, the District continues to enhance its general surgery, oncology and cardiology programs.
- Going forward, in order to improve patient access and capitalize on opportunities to remain independent, the District plans to offer memory care and an inpatient rehabilitation unit in its new long term care facility as well as continue to grow the mental health and tele-health services.
- The increases in District expenses are due to the District keeping up with the evolving healthcare environment and are primarily concentrated in the following areas:
 - Salaries and benefits increased by \$4.9 million (8%) and \$6.4 million (11%) in fiscal year 2019 and 2018, respectively. Of this increase, salary growth of \$3.1 million in both fiscal year 2019 and fiscal year 2018 is the combination of COLA, merit adjustments, market alignment, additional customer service positions (providing for both internal and external customers), and an expansion of service lines that includes the employment of physicians and physician group support staff.
 - Correlating to this expansion of employees and a rise in the cost of healthcare, benefits increased by \$1.8 million in fiscal year 2019. Half of that increase was due to the cost of health insurance. The District is self-insured with a secondary layer of individual coverage and as a ratio of health insurance to salaries, the percentage between fiscal year 2019 and 2018 remained consistent. However, due to an internal system conversion, our TPA is running behind on processing claims and the District experienced a few high dollar, year-end claims, thus our year-end accrual is larger than normal which also affects this line item.
 - Purchased services, which includes contract staff, grew during fiscal year 2019 due to some transitions with the home healthcare program, growth and training in surgery departments, the EMR implementation, and an enhanced rehabilitation program related to the change in swing beds.
 - Supplies grew during fiscal year 2019 due to the increased inpatient, oncological and surgical volume as well as increased costs.

In an effort to maintain costs despite the demands of the developing healthcare setting, the District's management has been working on cost control measures such as incentivizing retention at all levels of the organization, creating a staffing committee, implementing a comprehensive

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EMR (which should streamline processes down the road), and working with local vendors in order to support the community as well as promote sustainability. In addition, the District was again awarded the Greenhealth Partner for Change Award by Practice Greenhealth for superior performance in environmental sustainability. This highlights the work that the District does in being a community leader in environmental stewardship while working to control cost.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of tax district revenue, specific purpose excise tax revenue, interest income, and interest expense.

- Property tax revenue is levied on behalf of the District for general purposes. Due to increased property values, this amount increased 15% during fiscal year 2019 and 7% during fiscal year 2018.
- Investment in community programs represents funds or services that the District allocated to enhance local or regional health programs such as ambulance service for Teton County and ancillary support for the Teton Free Clinic.
- The specific purpose excise (SPET) is an optional, voter approved 1 percent sales tax paid on most goods and services within Teton County, WY. Voters further vote on which local governmental and public entity projects the SPET funds. During May of 2017, the public voted to allocate \$17 million of SPET funding towards the construction of the District's new long term care building. During fiscal year 2019, the District was in the planning / architectural stages of the project and received \$9.2 million of SPET funds. The living center construction project broke ground in July of 2019. The District expects to receive the balance of the \$17 million during fiscal year 2020.

Capital Contributions

For the fiscal years ended 2019 and 2018, the District received \$850,000 and \$1,711,267, respectively, in capital contributions from the St. John's Hospital Foundation (the Foundation). The primary purpose for these resources in fiscal year 2019 was to fund the purchase of an orthopedic surgical robot (half of the funding took place during fiscal year 2019, and the other half was funded during fiscal year 2018) and brachytherapy equipment. Fiscal year 2018 contributions also included contributions for the initial stages of the Living Center project, maintenance of tomosynthesis equipment, wellness and the Huntsman affiliation. During fiscal year 2017, the primary purpose of the funds was for the renovation of the patient and family reception area.

Additional distributions that benefit the District are not included in the contributions line in the District's financial statements as they are paid directly from the Foundation. These disbursements are accounted for in the St. John's Hospital Foundation – Statement of Activities, found on page 17 of the Financial Statements, and include, but are not limited to, contributions for community wellness, nursing education, oncology, diabetes education, prenatal services, women's health care, mental health, hospice and grief support. The total amount disbursed by the Foundation during

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fiscal year 2019, inclusive of the capital contributions, was \$1,497,118 and \$2,551,851 in fiscal year 2018.

The District's Cash Flows

Changes in the District's operating cash flows are consistent with changes in cash and investments, operating income and non-operating revenues and expenses, discussed earlier. Due to the District's reinvestment into new programs, its staff and its patients, the District had a net decrease in fiscal year 2019 and 2018 of cash and investments.

Capital Asset and Debt Administration

Capital Assets

At year-end June 30, 2019 and 2018, the District had \$108.3 million and \$96.0 million, respectively, net investment in capital assets, as detailed in Note 7 to the financial statements. The District had \$19.7 million of additions during 2019. The fiscal year 2019 capital expenditures were primarily related to the electronic medical record conversion, and to a lesser extent building remodels, the Mako surgical robot, brachytherapy equipment and employee housing. The rest were routine in nature.

Debt Administration

At fiscal year-end 2019, the District had \$23.9 million of outstanding debt. This debt is related to the outstanding 2011B Hospital Revenue Bonds which have interest rates ranging from 2.2% to 5.0% and a capital lease for the electronic medical record system. The MRI system capital lease was paid off during 2018 and the 2011A Series Hospital Revenue Bonds were retired at the end of fiscal year 2017. Please refer to Note 8 of the financial statements for a summary of long-term debt.

Contacting the District's Financial Management

This financial report is designed to provide our patients, suppliers, investors and creditors with a general overview of the District's finances and to the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Chief Financial Officer, John Kren. Contact information:

Email: jkren@tetonhospital.org
Phone: (307) 739-7526
Address: P.O. Box 428
625 East Broadway
Jackson, Wyoming 83001

Teton County Hospital District d/b/a St. John's Medical Center

Balance Sheets June 30, 2019 and 2018

Assets and Deferred Outflows of Resources

	2019	2018 (Restated)
Current Assets		
Cash and cash equivalents	\$ 22,366,886	\$ 31,849,915
Short-term investments	8,807,255	4,196,945
Assets held by trustee for debt service - current	855,000	825,000
Patient accounts receivable, net of allowance for contractual discounts and uncollectible accounts; 2019- \$17,215,149 and 2018 - \$15,187,807	25,094,169	15,769,594
Other receivables	2,171,208	2,181,648
Supplies	2,161,352	2,093,096
Estimated amounts due from Medicare	72,750	686,976
Prepaid expenses and other	2,641,113	1,704,972
Total current assets	<u>64,169,733</u>	<u>59,308,146</u>
Noncurrent Cash and Investments		
Assets held by trustee for debt service	2,683,985	2,640,618
Restricted for capital acquisitions	7,541,844	-
Board-restricted cash - Rainy Day Fund	2,013,351	2,012,747
	<u>12,239,180</u>	<u>4,653,365</u>
Less amount required to meet current obligations	855,000	825,000
	11,384,180	3,828,365
Other investments	50,000	-
Long-term investments	21,092,329	25,574,767
Total noncurrent cash and investments	<u>32,526,509</u>	<u>29,403,132</u>
Capital Assets, Net	<u>108,288,480</u>	<u>95,993,058</u>
Total assets	<u>204,984,722</u>	<u>184,704,336</u>
Deferred Outflows of Resources		
Loss on refunding of debt	195,808	250,823
Total assets and deferred outflows of resources	<u>\$ 205,180,530</u>	<u>\$ 184,955,159</u>

**Teton County Hospital District
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Balance Sheets (continued)
June 30, 2019 and 2018

Liabilities and Net Position

	2019	2018 (Restated)
Current Liabilities		
Current maturities of long-term debt	\$ 1,449,360	\$ 825,000
Accounts payable	5,850,715	3,976,674
Accrued compensation, related taxes and benefits	7,574,809	5,628,445
Accrued interest payable	98,781	101,703
Other current liabilities	63,443	40,142
	<u>15,037,108</u>	<u>10,571,964</u>
Long-term Debt		
Hospital revenue bonds	19,794,253	20,630,233
Capital lease obligations	2,625,090	-
	<u>22,419,343</u>	<u>20,630,233</u>
Other Long-term Liabilities	<u>790,000</u>	<u>790,000</u>
	<u>38,246,451</u>	<u>31,992,197</u>
Net Position		
Net investment in capital assets	85,897,663	79,191,190
Restricted expendable for capital acquisitions	7,541,844	-
Unrestricted	73,494,572	73,771,772
	<u>166,934,079</u>	<u>152,962,962</u>
	<u>\$ 205,180,530</u>	<u>\$ 184,955,159</u>

St. John's Hospital Foundation
A Component Unit of Teton County Hospital District
Statements of Financial Position
June 30, 2019 and 2018

Assets

	2019	2018
Current Assets		
Cash	\$ 7,092,140	\$ 483,407
Short-term investments	8,129,337	3,862,680
Current portion of pledges receivable	2,696,999	2,458,695
Due from related party	255,628	-
	<u>18,174,104</u>	<u>6,804,782</u>
Total current assets		
Other Assets		
Pledges receivable, less current portion, net	1,662,074	3,628,409
Long-term investments	4,010,000	5,643,415
Investment in real estate	40,000	40,000
Beneficial interest in Community Foundation of Jackson Hole	4,555,511	3,420,629
Art collection	312,040	253,690
Other asset	20,000	20,000
	<u>10,599,625</u>	<u>13,006,143</u>
Total other assets		
Total assets	<u><u>\$ 28,773,729</u></u>	<u><u>\$ 19,810,925</u></u>

Liabilities

Current Liabilities		
Current portion of annuity payable	\$ 21,000	\$ 21,000
Due to related party	-	585,203
	<u>21,000</u>	<u>606,203</u>
Total current liabilities		
Annuity Payable, Less Current Portion	<u>121,853</u>	<u>157,948</u>
Total liabilities	<u>142,853</u>	<u>764,151</u>

Net Assets

Net Assets		
Without donor restrictions	4,876,330	4,237,564
With donor restrictions	23,754,546	14,809,210
	<u>28,630,876</u>	<u>19,046,774</u>
Total net assets		
Total liabilities and net assets	<u><u>\$ 28,773,729</u></u>	<u><u>\$ 19,810,925</u></u>

**Teton County Hospital District
d/b/a St. John's Medical Center**
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2019 and 2018

	2019	2018
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2019 - \$3,150,120 and 2018 - \$4,361,412	\$ 121,138,397	\$ 111,280,445
Other operating income	<u>3,580,669</u>	<u>3,236,422</u>
Total operating revenues	<u>124,719,066</u>	<u>114,516,867</u>
Operating Expenses		
Salaries and wages	50,465,799	46,962,075
Employee benefits	18,428,834	17,028,757
Supplies	20,246,965	17,537,416
Purchased services	14,035,993	11,949,814
Physician fees	5,357,538	5,096,975
Repairs and maintenance	4,343,971	3,274,091
Utilities	1,417,226	1,414,103
Insurance	1,075,473	1,429,405
Lease and rental	1,414,779	1,283,911
Other expenses	1,897,604	1,812,147
Amortization	55,015	60,640
Depreciation	<u>7,371,266</u>	<u>7,256,135</u>
Total operating expenses	<u>126,110,463</u>	<u>115,105,469</u>
Operating Loss	(1,391,397)	(588,602)
Nonoperating Expenses		
Interest expense	<u>1,219,004</u>	<u>1,243,974</u>
Loss after Interest Expense and Before Other Nonoperating Revenues (Expenses)	<u>(2,610,401)</u>	<u>(1,832,576)</u>
Other Nonoperating Revenues (Expenses)		
Property taxes	5,522,915	4,819,863
Interest income	835,331	656,478
Investment losses in community programs	(337,211)	(314,424)
Gain on disposal of capital assets	<u>15,484</u>	<u>163,179</u>
Net other nonoperating revenues (expenses)	<u>6,036,519</u>	<u>5,325,096</u>
Excess of Revenues Over Expenses Before Specific Purpose Excise Tax, Capital Contributions and Unrealized Gain (Loss) on Investments	<u>3,426,118</u>	<u>3,492,520</u>

**Teton County Hospital District
d/b/a St. John's Medical Center**
Statements of Revenues, Expenses and Changes in Net Position (continued)
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Purpose Excise Tax, Capital Contributions and Unrealized Gain (Loss) on Investments	3,426,118	3,492,520
Specific Purpose Excise Tax	9,243,155	-
Capital Contributions	850,000	1,711,267
Unrealized Gain (Loss) on Investments	<u>451,844</u>	<u>(288,544)</u>
Increase in Net Position	13,971,117	4,915,243
Net Position, Beginning of Year	<u>152,962,962</u>	<u>148,047,719</u>
Net Position, End of Year	<u><u>\$ 166,934,079</u></u>	<u><u>\$ 152,962,962</u></u>

St. John's Hospital Foundation
A Component Unit of Teton County Hospital District

Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Major gifts	\$ 232,278	\$ 929,903	1,162,181
Annual appeal	105,494	37,535	143,029
Old Bill's Fun Run	250,281	125,028	375,309
Living Center	-	8,214,505	8,214,505
Online donations	17,785	140	17,925
Employee contributions	2,835	5,543	8,378
Lobby personal solicitations	-	13,350	13,350
Memorials/hospice/honorariums	2,620	39,743	42,363
Grants/service clubs	19,506	38,000	57,506
Special events/auxiliary	3,687	517,444	521,131
Grateful Patients	5,000	-	5,000
Transfers from St. John's			
Medical Center	443,869	10,652	454,521
Unsolicited individuals	47,012	146	47,158
Net assets released from restrictions	<u>986,653</u>	<u>(986,653)</u>	<u>-</u>
 Total revenues, gains and other support	 <u>2,117,020</u>	 <u>8,945,336</u>	 <u>11,062,356</u>
 Expenses			
Program expenses	1,497,118	-	1,497,118
Administrative expenses	259,520	-	259,520
Fundraising expenses	<u>295,747</u>	<u>-</u>	<u>295,747</u>
 Total expenses	 <u>2,052,385</u>	 <u>-</u>	 <u>2,052,385</u>
 Other Income (Loss)			
Net investment income	294,631	-	294,631
Changes in the beneficial interest in Community Foundation of Jackson Hole	254,100	-	254,100
Change in split interest agreement	16,879	-	16,879
Other income	<u>8,521</u>	<u>-</u>	<u>8,521</u>
 Total other income (loss)	 <u>574,131</u>	 <u>-</u>	 <u>574,131</u>
 Change in Net Assets	 638,766	 8,945,336	 9,584,102
 Net Assets, Beginning of Year	 <u>4,237,564</u>	 <u>14,809,210</u>	 <u>19,046,774</u>
 Net Assets, End of Year	 <u>\$ 4,876,330</u>	 <u>\$ 23,754,546</u>	 <u>\$ 28,630,876</u>

St. John's Hospital Foundation

A Component Unit of Teton County Hospital District

Statement of Activities Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Major gifts	\$ 248,015	\$ 4,538,517	\$ 4,786,532
Annual appeal	493,613	61,233	554,846
Old Bill's Fun Run	261,596	44,359	305,955
Living Center	637,000	5,450,103	6,087,103
Online donations	9,475	-	9,475
Employee contributions	33,440	30,938	64,378
Lobby personal solicitations	5,500	86,166	91,666
Memorials/hospice/honorariums	4,499	24,690	29,189
Grants/service clubs	12,432	45,102	57,534
Special events/auxiliary	6,323	360,280	366,603
Grateful Patients	10,000	-	10,000
Transfers from St. John's Medical Center	339,710	-	339,710
Unsolicited individuals	8,196	4,883	13,079
Net assets released from restrictions	<u>1,824,025</u>	<u>(1,824,025)</u>	<u>-</u>
 Total revenues, gains and other support	 <u>3,893,824</u>	 <u>8,822,246</u>	 <u>12,716,070</u>
Expenses			
Program expenses	2,551,851	-	2,551,851
Administrative expenses	154,784	-	154,784
Fundraising expenses	<u>202,005</u>	<u>-</u>	<u>202,005</u>
 Total expenses	 <u>2,908,640</u>	 <u>-</u>	 <u>2,908,640</u>
Other Income (Loss)			
Net investment income	53,263	-	53,263
Realized and unrealized loss on investments	(31,509)	-	(31,509)
Changes in the beneficial interest in Community Foundation of Jackson Hole	<u>188,746</u>	<u>-</u>	<u>188,746</u>
 Total other income (loss)	 <u>210,500</u>	 <u>-</u>	 <u>210,500</u>
 Change in Net Assets	 1,195,684	 8,822,246	 10,017,930
 Net Assets, Beginning of Year	 <u>3,041,880</u>	 <u>5,986,964</u>	 <u>9,028,844</u>
 Net Assets, End of Year	 <u><u>\$ 4,237,564</u></u>	 <u><u>\$ 14,809,210</u></u>	 <u><u>\$ 19,046,774</u></u>

**Teton County Hospital District
d/b/a St. John's Medical Center**
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018 (Restated)
Operating Activities		
Receipts from and on behalf of patients	\$ 121,752,623	\$ 107,349,515
Payments to suppliers and contractors	(43,945,191)	(40,248,256)
Payments to employees	(68,894,633)	(63,990,832)
Other receipts and payments, net	223,711	(153,336)
	<u>9,136,510</u>	<u>2,957,091</u>
Net cash provided by operating activities		
Noncapital Financing Activities		
Property taxes supporting operations	5,522,915	4,819,863
	<u>5,522,915</u>	<u>4,819,863</u>
Net cash provided by noncapital financing activities		
Capital and Related Financing Activities		
Proceeds from contributions restricted for investment in equipment	850,000	1,711,267
Principal paid on long-term debt	(825,000)	(505,087)
Interest paid on long-term debt	(1,199,984)	(1,224,875)
Proceeds from specific purpose excise tax	9,243,155	-
Purchase of capital assets	(16,072,327)	(9,795,181)
Proceeds from sale of capital assets	-	258,926
	<u>(8,004,156)</u>	<u>(9,554,950)</u>
Net cash used in capital and related financing activities		
Investing Activities		
Purchase of investments	(4,177,872)	(4,691,150)
Proceeds from the disposition of investments	4,000,000	1,780,816
Change in value of assets held by trustee for debt service and capital acquisitions	(43,971)	(475,464)
Investment loss in community programs	(337,211)	(314,424)
Net increase (decrease) in the fair value of investments	451,844	(288,544)
Interest income	835,331	656,478
	<u>728,121</u>	<u>(3,332,288)</u>
Net cash provided by (used in) investing activities		
Increase (Decrease) in Cash and Cash Equivalents	7,383,390	(5,110,284)
Cash and Cash Equivalents, Beginning of Year	31,849,915	36,960,199
Cash and Cash Equivalents, End of Year	<u>\$ 39,233,305</u>	<u>\$ 31,849,915</u>

**Teton County Hospital District
d/b/a St. John's Medical Center
Statements of Cash Flows (continued)
Years Ended June 30, 2019 and 2018**

	2019	2018 (Restated)
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents in current assets	\$ 22,366,886	\$ 31,849,915
Restricted cash in noncurrent cash and investments	<u>7,541,844</u>	<u>-</u>
	<u><u>\$ 29,908,730</u></u>	<u><u>\$ 31,849,915</u></u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating loss	\$ (1,391,397)	\$ (588,602)
Items not requiring cash		
Amortization	55,015	60,640
Depreciation	7,371,266	7,256,135
Provision for uncollectible accounts	3,150,120	4,361,415
Changes in		
Patient accounts receivable	(3,150,120)	(7,284,578)
Other receivables	10,440	(233,060)
Supplies	(68,256)	(55,595)
Accounts payable and accrued expenses	3,458,056	53,539
Estimated amounts due to/from Medicare, net	614,226	(1,007,764)
Other current assets and liabilities	<u>(912,840)</u>	<u>394,964</u>
Net cash provided by operating activities	<u><u>\$ 9,136,510</u></u>	<u><u>\$ 2,957,094</u></u>
Supplemental Cash Flow Information		
Capital lease obligations incurred for capital assets	<u><u>\$ 3,219,450</u></u>	<u><u>\$ -</u></u>
Capital asset acquisition included in accounts payable	<u><u>\$ 391,381</u></u>	<u><u>\$ 31,954</u></u>

Teton County Hospital District d/b/a St. John's Medical Center

Notes to Financial Statements

June 30, 2019 and 2018

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

Nature of Operations and Reporting Entity

St. John's Hospital was established in 1916 by the citizens of Jackson, Wyoming, with the backing of the Episcopal Church. It was originally a private, not-for-profit institution. On July 1, 1976, St. John's Hospital became Teton County Hospital District (the District). In June 2001, the Board of Trustees voted unanimously to refer to the District as St. John's Medical Center. The District's facility has 48 acute care beds and the nursing facility has 60 skilled nursing beds. The District is located in Jackson, Wyoming and is operated and controlled by a seven-member, publicly elected Board of Trustees.

In accordance with accounting principles generally accepted in the United States of America, the financial statements present the District and its component unit, St. John's Hospital Foundation (the Foundation). The component unit is included in the District's reporting entity because of the significance of its operational and financial relationship with the District in accordance with Statement No. 39 of the Governmental Accounting Standards Board (GASB), *Determining Whether Certain Organizations Are Component Units—an amendment of GASB Statement No. 14* and Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*.

Discretely Presented Component Unit – St. John's Hospital Foundation

The Foundation is a legally separate, tax-exempt component unit of the District. The Foundation was established in July 1999. Although the District does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds in investments are restricted to the activities of the District by the donors and the Foundation's bylaws. Because these restricted resources held by the Foundation are primarily to be used by, or for the benefit of, the District, the Foundation is considered a component unit of the District and is discretely presented in the District's financial statements.

The Foundation is a private not-for-profit organization that reports under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), including ASC Topic 958, *Not-for-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's statements in the District's financial reporting entity for these differences.

Complete financial statements of the Foundation may be obtained by contacting the District's Executive Office at Phone – 307.739.7526. Address – P.O. Box 428, 625 East Broadway, Jackson, Wyoming 83001.

Teton County Hospital District d/b/a St. John's Medical Center

Notes to Financial Statements

June 30, 2019 and 2018

Basis of Accounting and Presentation

The financial statements of the District have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities and deferred outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants and county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific, such as county appropriations, property taxes, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The District 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, liabilities and deferred outflows 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.

Cash and Cash Equivalents

The District considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2019 and 2018, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit with maturities of three months or less.

Property Tax Revenues

The District received approximately 4% of its financial support from ad valorem taxes used to support operations for both years ended June 30, 2019 and 2018. Taxes are levied in August for the calendar year and are received by the county in September and March (of the following year) and become delinquent after May of the following year. During the year ended June 30, 2019, the District received Specific Purpose Excise Taxes to support capital projects.

Investments and Investment Income

Investments in U.S. Treasury, U.S. Agency and instrumentality obligations with a remaining maturity of one year or less at the time of acquisition and nonnegotiable certificates of deposit are carried at amortized cost. Investments in equity investees are reported on the equity method of accounting. All other investments are carried at fair value. Fair value is determined using quoted market prices. Investments in property and housing are valued on a cost basis.

Teton County Hospital District d/b/a St. John's Medical Center

Notes to Financial Statements

June 30, 2019 and 2018

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.

Noncurrent Cash and Investments

Noncurrent cash and investments include assets held by trustees for capital acquisitions and debt service requirements. Amounts required to meet current liabilities of the District are included in current assets.

Assets Held by Trustee for Debt Service

Under the terms of the Series 2011 Bonds, the District is required to maintain certain deposits with a trustee for future bond principal and interest payments. Amounts required to meet current liabilities of the District are included in current assets.

Board-Restricted Cash – Rainy Day Fund

The Rainy Day Fund was established as of July 24, 2013 by the Board of Trustees for future costs/projects associated with the District. A maximum of 10% of any fiscal year revenue can be transferred into the Rainy Day Fund.

Specific Purpose Excise Tax

In 2017, the Teton County Treasurer approved a specific purpose excise tax (SPET) for \$34,420,000 paid over 2.5 to 3 years, pending economic conditions. Of this SPET, the District was approved to receive \$17,000,000 of those funds, which are restricted for the construction of a new living center. The District received SPET tax revenue of \$9,243,155 and \$0 during the years ended June 30, 2019 and 2018.

Patient Accounts Receivable

The District reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The District provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. As a service to the patient, the District bills third-party payers directly and bills the patient when the patient's liability is determined. Patient accounts receivable are ordinarily due in full when billed. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the patient or third-party payer.

Supplies

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

Teton County Hospital District d/b/a St. John's Medical Center

Notes to Financial Statements

June 30, 2019 and 2018

Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair value at the date of donation, if acquired by gift. Depreciation is computed on a straight-line basis over the estimated useful life of each asset following guidelines of the American Hospital Association. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the District:

Land improvements	15 to 20 years
Buildings and building improvements	20 to 40 years
Equipment, computers, software and furniture	3 to 10 years

Deferred Outflows of Resources

The District reports increases in net position that relate to future periods as deferred outflows of resources in a separate section of its statements of net position.

The cost of debt refinancing is deferred and amortized using the straight-line method over the remaining life of the old debt or the life of the new debt, whichever is shorter, and reported as deferred outflows of resources on the District's balance sheets.

Compensated Absences

The District's policies permit most employees to accumulate paid time-off benefits. Expense and the related liability are recognized as benefits are earned. Compensated absence liabilities are computed using the regular pay rates in effect at the balance sheet date, plus an additional amount for compensation-related payments, such as Social Security and Medicare taxes computed using rates in effect at that date.

Net Position

Net position of the District is classified in two components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Teton County Hospital District d/b/a St. John's Medical Center

Notes to Financial Statements

June 30, 2019 and 2018

Net Patient Service Revenue

The District has agreements with third-party payers that provide for payments to the District 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 District provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its patient financial assistance policy. Because the District 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, the District is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the District would be subject to federal income tax on any unrelated business taxable income.

Note 2: Restatement of Prior Year's Financial Statements

The District's 2018 financial statements have been restated for an error in which investments were being reported as cash and cash equivalents. The restatement has no impact on net assets. The following financial statement line items for 2018 were affected by the correction:

	As Restated	2018	Effect of Change
Balance Sheet			
Cash and cash equivalents	\$ 31,849,915	\$ 41,846,122	\$ (9,996,207)
Short-term investments	4,196,945	-	4,196,945
Long-term investments	25,574,767	19,775,505	5,799,262
Statement of Cash Flows			
Purchase of investments	\$ (4,691,150)	\$ (4,922,003)	\$ 230,853
Cash and cash equivalents, beginning of year	36,960,199	47,187,260	(10,227,061)
Cash and cash equivalents, end of year	31,849,915	41,846,122	(9,996,207)

Teton County Hospital District d/b/a St. John's Medical Center

Notes to Financial Statements

June 30, 2019 and 2018

Note 3: Charity Care and Other Community Benefits

Governmental health care entities are required to disclose the level of charity care provided, measured based on the District's costs, units of service or other statistical measure as outlined in the AICPA Healthcare Audit Guide Chapter 15 paragraph 136.

The costs of charity care provided under the District's charity care policy were approximately \$2,484,000 and \$2,360,000 for 2019 and 2018, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

Note 4: Net Patient Service Revenue

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

Medicare. Inpatient and certain outpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient nonacute services and certain outpatient services related to Medicare beneficiaries are paid based on a combination of fee schedules and a cost reimbursement methodology. The District is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District was approved to participate in the Rural Community Hospital Demonstration Program (the Program) during the year ended June 30, 2018. While participating in the Program, the District is paid on a cost-reimbursed basis for acute inpatient care and swing bed services. The reimbursement change related to the Program began July 1, 2018.

Medicaid. Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under prospectively determined rates. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary.

Gross patient service revenues from participation in the Medicare and state-sponsored Medicaid programs were approximately 40% and 41% for the years ended June 30, 2019 and 2018, respectively. Net patient service revenues from participation in the Medicare and state-sponsored Medicaid programs were approximately 27% and 31% for the years ended June 30, 2019 and 2018, respectively. Laws and regulations governing Medicare and Medicaid are complex and subject to change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

Teton County Hospital District d/b/a St. John's Medical Center

Notes to Financial Statements

June 30, 2019 and 2018

Note 5: Patient Accounts Receivable

The District grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. Patient accounts receivable at June 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Medicare	\$ 13,088,641	\$ 10,611,898
Medicaid	1,717,615	1,317,591
Other third-party payers	23,206,939	12,101,948
Patients	<u>4,296,123</u>	<u>6,925,964</u>
	42,309,318	30,957,401
Less allowance for contractals and uncollectible amounts	<u>17,215,149</u>	<u>15,187,807</u>
	<u><u>\$ 25,094,169</u></u>	<u><u>\$ 15,769,594</u></u>

Note 6: Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial risk requires compliance with the provisions of state law.

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

Wyoming requires financial institutions to collateralize any uninsured public deposits. Any excess of deposits over FDIC limit that is not insured is covered by collateral pledged by the financial institution.

At June 30, 2019 and 2018, \$33,005,517 and \$40,273,736, respectively, of the District's bank balances of \$34,060,839 and \$42,521,262, respectively, were not FDIC insured but were collateralized by the pledging financial institution's trust department.

Investments

The District may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury, U.S. agencies and instrumentalities. The District has a formal investment policy in place.

Teton County Hospital District
d/b/a St. John's Medical Center
Notes to Financial Statements
June 30, 2019 and 2018

At June 30, 2019 and 2018, the District had the following investments and maturities:

June 30, 2019					
Type	Fair Value	Maturities in Years			
		Less than 1 year	1-5	6-10	More than 10
U.S. Treasury Bonds and Notes	\$ 500,070	\$ 500,070	\$ -	\$ -	\$ -
Certificates of Deposit	12,084,525	8,807,255	3,277,270	-	-
Government Agencies	12,529,965	8,733,661	3,796,304	-	-
Mortgage Backed Securities	2,392,075	-	-	-	2,392,075
Corporate Bonds	2,115,876	301,643	1,710,005	104,228	-
Money Market Mutual Funds	277,072	277,072	-	-	-
Total	\$ 29,899,583	\$ 18,619,701	\$ 8,783,579	\$ 104,228	\$ 2,392,075

June 30, 2018					
Type	Fair Value	Maturities in Years			
		Less than 1 year	1-5	6-10	More than 10
U.S. Treasury Bonds and Notes	\$ 348,580	\$ 348,580	\$ -	\$ -	\$ -
Certificates of Deposit	9,996,207	4,196,945	5,799,262	-	-
Government Agencies	10,425,936	5,870,399	4,555,537	-	-
Mortgage Backed Securities	2,754,512	-	-	-	2,754,512
Commercial Paper	2,191,895	237,892	1,651,636	302,367	-
Corporate Bonds	3,984,297	3,984,297	-	-	-
Money Market Mutual Funds	70,285	70,285	-	-	-
Total	\$ 29,771,712	\$ 14,708,398	\$ 12,006,435	\$ 302,367	\$ 2,754,512

The District also holds money market and mutual fund investments not included in the above long-term accounts, with fair values of \$2,683,985 and \$2,640,618, at June 30, 2019 and 2018, respectively. These amounts are included in assets held by trustee for debt service on the balance sheets.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2019 and 2018, the District's investments were held in money market and mutual fund accounts, United States Treasury bonds and notes, corporate bonds, commercial paper, and mortgage backed securities.

Teton County Hospital District d/b/a St. John's Medical Center

Notes to Financial Statements

June 30, 2019 and 2018

The funds held in money market and mutual fund accounts are not exposed to credit risk. The funds held in United States Treasury bonds and notes are guaranteed by the United States. At December 31, 2018 and 2017, the investments in corporate bonds were rated AA+ by Standard & Poor's and Aaa by Moody's Investor Service. At those dates the District's investments in commercial paper were rated A1+ by Standard & Poor's and P1 by Moody's Investor Service. At those dates the District's investments in mortgage backed securities were backed by the full faith and credit of the U.S. agencies.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District was not exposed to custodial credit risk at June 30, 2019 and 2018.

Concentration of Credit Risk

The District places no limit on the amount that may be invested in any one issuer. At June 30, 2019 and 2018, no concentration of credit risk existed.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from interest rates, the District's investment policy statement requires that the investment securities mature to meet cash requirements and potential losses are minimized through diversification of holdings.

Foreign Currency Risk

This risk is related to adverse effects on the fair value of an investment from changes in exchange rates. The District's investment policy does not permit foreign currency holdings at June 30, 2019.

Teton County Hospital District d/b/a St. John's Medical Center

Notes to Financial Statements June 30, 2019 and 2018

Summary of Carrying Values

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

	2019	2018
Carrying value		
Deposits	\$ 31,916,130	\$ 33,857,113
Assets held by trustee for debt service	2,683,985	2,640,618
Investments	29,899,584	29,771,712
Cash on hand	5,951	5,549
	<u>\$ 64,505,650</u>	<u>\$ 66,274,992</u>
Included in the following balance sheets captions		
Cash and cash equivalents	\$ 22,366,886	\$ 31,849,915
Short-term investments	8,807,255	4,196,945
Assets held by trustee for debt service - current	855,000	825,000
Restricted for capital acquisitions	7,541,844	-
Assets held by trustee for debt service	1,828,985	1,815,618
Board-restricted cash - Rainy Day Fund	2,013,351	2,012,747
Long-term investments	21,092,329	25,574,767
	<u>\$ 64,505,650</u>	<u>\$ 66,274,992</u>

Teton County Hospital District d/b/a St. John's Medical Center

Notes to Financial Statements June 30, 2019 and 2018

Note 7: Capital Assets

Capital assets activity for the years ended June 30, 2019 and 2018:

	2019				
	Beginning Balance	Additions	Disposals and Retirements	Transfers	Ending Balance
Land and land improvements	\$ 19,011,132	\$ 75,063	\$ -	\$ 150,000	\$ 19,236,195
Buildings and leasehold improvements	100,962,334	235,170	-	1,680,588	102,878,092
Equipment	55,108,155	3,403,530	(313,323)	11,801,350	69,999,712
Construction-in-progress	4,311,647	15,968,596	-	(13,631,938)	6,648,305
	<u>179,393,268</u>	<u>19,682,359</u>	<u>(313,323)</u>	<u>-</u>	<u>198,762,304</u>
Less accumulated depreciation					
Land improvements	1,957,767	96,782	-	-	2,054,549
Buildings and leasehold improvements	39,605,811	3,373,479	-	-	42,979,290
Equipment	41,836,632	3,901,005	(297,652)	-	45,439,985
	<u>83,400,210</u>	<u>7,371,266</u>	<u>(297,652)</u>	<u>-</u>	<u>90,473,824</u>
Capital assets, net	<u>\$ 95,993,058</u>	<u>\$ 12,311,093</u>	<u>\$ (15,671)</u>	<u>\$ -</u>	<u>\$ 108,288,480</u>

	2018				
	Beginning Balance	Additions	Disposals and Retirements	Transfers	Ending Balance
Land and land improvements	\$ 15,494,347	\$ 75,000	\$ -	\$ 3,441,785	\$ 19,011,132
Buildings and leasehold improvements	94,286,941	256,733	(8,333)	6,426,993	100,962,334
Equipment	57,384,124	2,952,329	(6,166,069)	937,771	55,108,155
Construction-in-progress	8,667,311	6,450,885	-	(10,806,549)	4,311,647
	<u>175,832,723</u>	<u>9,734,947</u>	<u>(6,174,402)</u>	<u>-</u>	<u>179,393,268</u>
Less accumulated depreciation					
Land improvements	1,869,491	88,276	-	-	1,957,767
Buildings and leasehold improvements	36,419,163	3,194,981	(8,333)	-	39,605,811
Equipment	43,934,080	3,972,878	(6,070,326)	-	41,836,632
	<u>82,222,734</u>	<u>7,256,135</u>	<u>(6,078,659)</u>	<u>-</u>	<u>83,400,210</u>
Capital assets, net	<u>\$ 93,609,989</u>	<u>\$ 2,478,812</u>	<u>\$ (95,743)</u>	<u>\$ -</u>	<u>\$ 95,993,058</u>

Teton County Hospital District d/b/a St. John's Medical Center

Notes to Financial Statements June 30, 2019 and 2018

Note 8: Long-term Debt

The following is a summary of long-term obligation transactions for the District for the years ended June 30, 2019 and 2018:

2019					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Series 2011B Hospital Revenue Bonds	\$ 21,665,000	\$ -	\$ (825,000)	\$ 20,840,000	\$ 855,000
Capital lease obligations	-	3,219,450	-	3,219,450	594,360
	21,665,000	3,219,450	(825,000)	24,059,450	<u>\$ 1,449,360</u>
Less					
Bond discount, Series 2011B, net of amortization	209,767	-	(19,020)	190,747	
Total long-term debt	<u>\$ 21,455,233</u>	<u>\$ 3,219,450</u>	<u>\$ (805,980)</u>	<u>\$ 23,868,703</u>	

2018					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Series 2011B Hospital Revenue Bonds	\$ 21,755,000	\$ -	\$ (90,000)	\$ 21,665,000	\$ 825,000
Capital lease obligations	415,087	-	(415,087)	-	-
	22,170,087	-	(505,087)	21,665,000	<u>\$ 825,000</u>
Less					
Bond discount, Series 2011B, net of amortization	228,866	-	(19,099)	209,767	
Total long-term debt	<u>\$ 21,941,221</u>	<u>\$ -</u>	<u>\$ (485,988)</u>	<u>\$ 21,455,233</u>	

Series 2011B Hospital Revenue Refunding Bonds

Hospital Refunding and Improvement Revenue Bonds, Series 2011B, were issued at \$23,160,000 and secured by the District's net pledged revenues. The bonds include Serial Bonds that mature through 2021 with semiannual interest payments at rates ranging from 2.2% to 5%. There are also Term Bonds from 2022 through 2027 and 2028 through 2036 with rates ranging from 5.5% to 6%. The District is required, under the terms of the indenture, to maintain certain funds in reserve, which are included in noncurrent cash and investments. The bond issuance was used to refund, pay and discharge the principal and interest on the 2002 Bonds as they came due. Net proceeds of approximately \$9,230,000 were deposited in an irrevocable escrow account, which will be solely available to pay debt service on the 2002 Bonds. Accordingly, the 2002 Bonds are considered defeased and do not appear as a liability in the accompanying balance sheets.

Teton County Hospital District d/b/a St. John's Medical Center

Notes to Financial Statements June 30, 2019 and 2018

Hospital Revenue Bonds

The debt service requirements on long-term debt other than capital lease obligations as of June 30, 2019, are as follows:

Year Ending June 30	Total to Be Paid	Bond Principal	Bond Interest
2020	\$ 2,021,138	\$ 855,000	\$ 1,166,138
2021	2,025,525	900,000	1,125,525
2022	2,025,525	945,000	1,080,525
2023	1,980,775	950,000	1,030,775
2024	1,982,013	1,005,000	977,013
2025-2029	9,358,163	5,365,000	3,993,163
2030-2034	8,513,350	6,145,000	2,368,350
2035-2037	5,107,150	4,675,000	432,150
	<u>\$ 33,013,639</u>	<u>\$ 20,840,000</u>	<u>\$ 12,173,639</u>

Capital Lease Obligations

The following is a schedule by year of future minimum lease payments under the capital lease as of June 30, 2019. The imputed interest rate is not material.

Year Ending June 30	
2020	\$ 594,360
2021	594,360
2022	594,360
2023	594,360
2024	594,360
2025	247,650
	<u> </u>
Present value of future minimum lease payments	<u>\$ 3,219,450</u>

Teton County Hospital District d/b/a St. John's Medical Center

Notes to Financial Statements

June 30, 2019 and 2018

Note 9: Risk Management

The District is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; employee disability and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than those related to employee health care benefits. Settled claims have not exceeded any commercial insurance coverage in any of the three preceding years. The District partially self-insures the cost of employee health care benefits as it purchases annual stop-loss insurance coverage for all non-domestic claims in excess of \$250,000 per claim. Liabilities on the balance sheets include an accrual for claims that have been incurred but not reported. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, frequency of claims and other economic and social factors. Estimated claims liability outstanding at June 30, 2019 and 2018 was \$2,291,698 and \$1,215,000, respectively, and is included in accrued compensation, related taxes and benefits on the balance sheets.

Activity in the District's estimated accrued employee health claims liability during 2019 and 2018 is summarized as follows:

	2019	2018
Estimated accrued employee health claims liability balance, beginning of year	\$ 1,215,000	\$ 965,516
Current year claims incurred and changes in estimates for claims incurred in prior years	(12,423,233)	(11,905,455)
Claims and expenses paid	<u>13,499,931</u>	<u>12,154,939</u>
Estimated accrued employee health claims liability balance, end of year	<u><u>\$ 2,291,698</u></u>	<u><u>\$ 1,215,000</u></u>

Note 10: Medical Malpractice Claims

The District is in a captive insurance arrangement with Mountain States Healthcare Reciprocal Risk Retention Group (the Reciprocal) to purchase malpractice insurance coverage under a claims-made policy. The District pays estimated premiums prior to the effective date of the policy and the premiums are adjusted at the end of the policy period when complete information is available. The District paid premiums of \$660,646 and \$1,149,300 in 2019 and 2018, respectively. The District, a 5% owner in the group, has capital of \$110 for June 30, 2019 and 2018. The District receives annual allocations of the Reciprocal's profits and losses no later than March 15th of each year. The District received an allocation of (\$52,486) and (\$211,337) in 2019 and 2018, respectively. The District is not aware of any unasserted claims; unreported incidents or claims outstanding which are expected to exceed malpractice insurance coverage limits as of June 30, 2019.

Teton County Hospital District d/b/a St. John's Medical Center

Notes to Financial Statements

June 30, 2019 and 2018

Note 11: Retirement Plans

The District has established defined contribution plans (401(a), 403(b) and 457(b)) for employees of the District, which are administered by Vanguard. The expense for the plans is recorded for the amount of the District's required contributions and administrative fees determined in accordance with the terms of each plan. Benefit provisions are contained in the plan documents and, where established, can be amended by action of the Chief Financial Officer or the Director of Human Resources, with notification to the Finance Committee or Human Resources Committee.

The 401(a) plan is a retirement plan established by qualified employers, such as the District, for employer contributions. An employee is required to have at least one year of employment and 1,000 hours of service during a 12-month period (250 hours of service in the preceding quarter) in order to be eligible. The District contributes 4% of the employee's compensation. Covered employees are 100% vested in the plan after four years of employment.

The 403(b) plan, also known as a tax-sheltered annuity plan, is a retirement plan for employees of specific tax-exempt organizations such as health care organizations and universities and the employee is 100% vested as of their first contribution. An employee is required to work at least 40 hours per pay period to be eligible for the 403(b) plan.

For individuals who reach the contribution limit or otherwise have negotiated additional compensation in their employment contract, the District also makes available a 457(b) employee contribution plan. The 457(b) is a type of nonqualified tax advantaged deferred-compensation retirement plan that is available for governmental and certain nongovernmental employers.

Total employer 403(b) plan contributions for the years ended June 30, 2019 and 2018 were \$1,698,910 and \$1,555,820, respectively. Employee 403(b) and 457(b) contributions for the years ended June 30, 2019 and 2018 were \$2,694,301 and \$2,299,045, respectively. Contribution rates to all plans for the District and plan members expressed as a percentage of covered payrolls were 3.3% and 5.3% for 2019 and 3.3% and 4.9% for 2018, respectively.

Note 12: Contingencies

Litigation

In the normal course of business, the District 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 District's self-insurance program (discussed elsewhere in these notes) or by commercial insurance; for example, allegations regarding employment practices or performance of contracts. The District 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. Management has consulted with legal counsel and estimates that these matters will be resolved without material impact on the operations or financial position of the District.

Teton County Hospital District d/b/a St. John's Medical Center

Notes to Financial Statements

June 30, 2019 and 2018

Note 13: Other Long-term Liabilities

The District purchased property in the county that it is selling to employees under a deed restriction. The deed restriction states that the District has the first option to buy back the property at the time that the employee terminates employment with the District at a particular amount. The repurchase amount is the lesser of a maximum resale price equal to the purchase price, plus a 5.0% adjustment compounded annually for each full year of ownership by the employee or an appraised purchase option price of 52.3% of the market value of the property as determined by an appraisal. Under generally accepted accounting principles, the assets remain on the books of the District. The liability represents the repurchase agreement per the restricted deed for the units sold to employees during the fiscal year 2009. One additional agreement was initiated during fiscal year 2011 with a 2.5% resale adjustment. During 2014, the District issued a letter of intent with Jackson Hole Community Housing Trust (JHCHT). The letter stipulates that if a District employee does not express interest in purchasing a home, the home can be sold to a JHCHT applicant. The District still has first right of refusal to repurchase any homes previously sold to District employees.

Note 14: Disclosures about Fair Value of Assets and Liabilities

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2019:

- Money market funds of \$277,072 are valued using quoted market prices (Level 1 inputs).
- U.S. Treasury note of \$500,070 is valued using quoted market prices (Level 1 inputs).
- Government agencies of \$12,529,966 are valued using a matrix pricing model (Level 2 inputs).
- Corporate bonds of \$2,115,876 are valued using a matrix pricing model (Level 2 inputs).
- Mortgage backed securities of \$2,392,075 are valued using a matrix pricing model (Level 2 inputs).
- Certificates of deposit of \$12,084,525 are valued using a matrix pricing model (Level 2 inputs).

The District has the following recurring fair value measurements as of June 30, 2018:

- Money market funds of \$70,285 are valued using quoted market prices (Level 1 inputs).
- U.S. Treasury note of \$348,580 is valued using quoted market prices (Level 1 inputs).

Teton County Hospital District d/b/a St. John's Medical Center

Notes to Financial Statements

June 30, 2019 and 2018

- Government agencies of \$10,425,936 are valued using a matrix pricing model (Level 2 inputs).
- Corporate bonds of \$2,191,895 are valued using a matrix pricing model (Level 2 inputs).
- Commercial paper of \$3,984,297 are valued using a matrix pricing model (Level 2 inputs).
- Mortgage backed securities of \$2,754,512 are valued using a matrix pricing model (Level 2 inputs).
- Certificates of deposit of \$9,996,207 are valued using a matrix pricing model (Level 2 inputs).

Note 15: Disclosures Regarding St. John's Hospital Foundation

Nature of Activities and Summary of Significant Accounting Policies

Contributions

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Organization overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

Teton County Hospital District d/b/a St. John's Medical Center

Notes to Financial Statements

June 30, 2019 and 2018

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

Federal Income Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income. The Foundation files tax returns in the U.S. federal jurisdiction.

Fundraising Costs

Fundraising costs are expensed as incurred.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Beneficial Interest in Community Foundation of Jackson Hole

During 2015, the Foundation entered into an agreement with Community Foundation of Jackson Hole (CFJH) to create a board-designated endowment fund. The original investment of \$2,000,000

Teton County Hospital District d/b/a St. John's Medical Center

Notes to Financial Statements

June 30, 2019 and 2018

is being held in the endowment at CFJH and is included in unrestricted net assets. The principal and interest can be redeemed upon request of Foundation management. The endowment had a \$254,100 and an \$188,746 gain during 2019 and 2018, respectively.

Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30 are restricted for the following purposes or periods:

	2019	2018
Subject to expenditure for specified purpose		
Capital/equipment	\$ 15,435,774	\$ 5,331,499
Educational programs	87,415	76,764
Program support	3,306,804	2,748,363
Promises to give, the proceeds from which have been restricted by donors for Capital/equipment	<u>4,359,073</u>	<u>6,087,104</u>
	<u>23,189,066</u>	<u>14,243,730</u>
Endowments		
Subject to endowment spending policy and appropriation specified event occurs		
Restricted by donors for		
General use	304,178	304,178
Nursing education	<u>261,302</u>	<u>261,302</u>
	<u>565,480</u>	<u>565,480</u>
	<u><u>\$ 23,754,546</u></u>	<u><u>\$ 14,809,210</u></u>

Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset 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. The hierarchy comprises 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 that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Teton County Hospital District d/b/a St. John's Medical Center

Notes to Financial Statements June 30, 2019 and 2018

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying statements of financial position 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, 2019 and 2018:

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2019	Fair Value			
Money Market Funds	\$ 1,750,331	\$ 1,750,331	\$ -	\$ -
Certificates of deposit	6,379,006	-	6,379,006	-
Investment in real estate	40,000	-	-	40,000
US Treasury securities	4,010,000	-	4,010,000	-
Beneficial interest in Community Foundation of Jackson Hole	4,555,511	-	4,555,511	-
	<u>\$ 16,734,848</u>	<u>\$ 1,750,331</u>	<u>\$ 14,944,517</u>	<u>\$ 40,000</u>

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2018	Fair Value			
Certificate of deposit	\$ 9,506,095	\$ -	\$ 9,506,095	\$ -
Investment in real estate	40,000	-	-	40,000
Beneficial interest in Community Foundation of Jackson Hole	3,420,629	-	3,420,629	-
	<u>\$ 12,966,724</u>	<u>\$ -</u>	<u>\$ 12,926,724</u>	<u>\$ 40,000</u>

Teton County Hospital District d/b/a St. John's Medical Center

Notes to Financial Statements

June 30, 2019 and 2018

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2019. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

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 and include an investment held in real estate.

Beneficial Interest in Community Foundation of Jackson Hole

The Foundation has an investment held at the Community Foundation of Jackson Hole. The investment is a diversified portfolio consisting of primarily equities, fixed income securities, and other investments. All of the securities in the portfolio are priced on observable inputs. Due to the nature of the valuation inputs, the interest is classified within Level 2 of the hierarchy.

Note 16: Subsequent Events

Subsequent events have been evaluated through November 8, 2019, which is the date the financial statements were available to be issued.

Supplementary Information

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an
Audit of the Financial Statements Performed in
Accordance with *Government Auditing Standards***

Independent Auditor's Report

Board of Trustees
Teton County Hospital District
d/b/a St. John's Medical Center
Jackson, Wyoming

We have audited, 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, the financial statements of the business-type activities and the discretely presented component unit of Teton County Hospital District d/b/a St. John's Medical Center (the District), which comprise the statement of financial position as of June 30, 2019, and the statements of revenues, expenses and changes in financial position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 8, 2019. Our report contained an "Emphasis of Matter" paragraph regarding a restatement to the June 30, 2019 financial statements. The financial statements of St. John's Hospital Foundation (the Foundation), the discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 District'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.

Board of Trustees
Teton County Hospital District
d/b/a St. John's Medical Center

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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2019-001 to be a significant deficiency.

Compliance and Other Matters

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

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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Colorado Springs, Colorado
November 8, 2019

**Teton County Hospital District
d/b/a St. John's Medical Center
Schedule of Findings and Responses
Year Ended June 30, 2019**

Reference Number	Finding
2019-001	Finding: Certificates of Deposit Included in Cash and Cash Equivalents Criteria or Specific Requirement: Management is to properly record certificates of deposit (CD) within short-term and long-term investments. Condition: CDs were improperly recorded as cash and cash equivalents Effect: An entry was proposed and recorded to reclassify the CDs from cash and cash equivalents to short-term and long-term investments, which impacted the balance sheets and statements of cash flows. Cause: The District recorded CDs within cash and cash equivalents Recommendation: We recommend the District properly recognize record these CDs within short-term and long-term investments Views of Responsible Officials and Planned Corrective Actions: Agree - see separate report for planned corrective action.