ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

RECEIVED
OCT 02 2019
HEALTH FACILITIES & SERVICES REVIEW BOARD

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

Facility Name:	CGH Medical Center
Street Address:	100 East LeFevre Road
City and Zip Code:	Sterling, Illinois 61081
County:	Whiteside
Health Service Area:	1
Health Planning Area:	B-03

Applicant(s) [Provide for each applicant (refer to Part 1130.220)]

Exact Legal Name:	City of Sterling
Street Address:	212 Third Avenue
City and Zip Code:	Sterling, Illinois 61081
Name of Registered Agent:	
Registered Agent Street Address:	
Registered Agent City and Zip Code:	
Name of Chief Executive Officer:	Skip Lee, Mayor
CEO Street Address:	212 Third Avenue
CEO City and Zip Code:	Sterling, Illinois 61081
CEO Telephone Number:	815-632-6621

Type of Ownership of Applicants

- ☐ Non-profit Corporation
- ☐ For-profit Corporation
- ☐ Limited Liability Company
- ☐ Partnership
- ☒ Governmental
- ☐ Sole Proprietorship
- ☐ Other

- Corporations and limited liability companies must provide an **Illinois certificate of good standing.**
- Partnerships must provide the name of the state in which they are organized and the name and address of each partner specifying whether each is a general or limited partner.

APPEND DOCUMENTATION AS ATTACHMENT 1 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Primary Contact [Person to receive ALL correspondence or inquiries]

Name:	Kara M. Friedman
Title:	Attorney
Company Name:	Polsinelli PC
Address:	150 North Riverside Plaza, Suite 3000, Chicago, Illinois 60606-1599
Telephone Number:	312-873-3639
E-mail Address:	kfriedman@polsinelli.com
Fax Number:	

Additional Contact [Person who is also authorized to discuss the application for permit]

Name:	Kristie A. Geil, MSN, RN, CENP
Title:	VP Patient Care Services, CNO
Company Name:	CGH Medical Center
Address:	100 East LeFevre Road, Sterling, Illinois 61081
Telephone Number:	815-625-0400
E-mail Address:	Kristie.Geil@cghmc.com
Fax Number:	

Post Permit Contact

[Person to receive all correspondence subsequent to permit issuance-**THIS PERSON MUST BE EMPLOYED BY THE LICENSED HEALTH CARE FACILITY AS DEFINED AT 20 ILCS 3960]**

Name:	Kara M. Friedman
Title:	Attorney
Company Name:	Polsinelli PC
Address:	150 North Riverside Plaza, Suite 3000, Chicago, Illinois 60606-1599
Telephone Number:	312-873-3639
E-mail Address:	kfriedman@polsinelli.com
Fax Number:	

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: City of Sterling

Address of Site Owner: 212 Third Avenue, Sterling, Illinois 61081

Street Address or Legal Description of the Site: 101 East Le Fevre Road, Sterling, Illinois 61081

Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statements, tax assessor's documentation, deed, notarized statement of the corporation attesting to ownership, an option to lease, a letter of intent to lease, or a lease.

APPEND DOCUMENTATION AS ATTACHMENT 2, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Operating Identity/Licensee

[Provide this information for each applicable facility and insert after this page.]

Exact Legal Name: CGH Medical Center

Address: 100 East LeFevre Road, Sterling, Illinois 61081

☐	Non-profit Corporation	☐	Partnership		
☐	For-profit Corporation	☒	Governmental		
☐	Limited Liability Company	☐	Sole Proprietorship	☐	Other

- Corporations and limited liability companies must provide an Illinois Certificate of Good Standing.
- Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.
- **Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.**

APPEND DOCUMENTATION AS ATTACHMENT 3, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Organizational Relationships

Provide (for each applicant) an organizational chart containing the name and relationship of any person or entity who is related (as defined in Part 1130.140). If the related person or entity is participating in the development or funding of the project, describe the interest and the amount and type of any financial contribution.

APPEND DOCUMENTATION AS ATTACHMENT 4, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Flood Plain Requirements

[Refer to application instructions.]

Provide documentation that the project complies with the requirements of Illinois Executive Order #2006-5 pertaining to construction activities in special flood hazard areas. As part of the flood plain requirements, please provide a map of the proposed project location showing any identified floodplain areas. Floodplain maps can be printed at **www.FEMA.gov** or **www.illinoisfloodmaps.org**. **This map must be in a readable format**. In addition, please provide a statement attesting that the project complies with the requirements of Illinois Executive Order #2006-5 (http://www.hfsrb.illinois.gov).

APPEND DOCUMENTATION AS ATTACHMENT 5, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Historic Resources Preservation Act Requirements

[Refer to application instructions.]

Provide documentation regarding compliance with the requirements of the Historic Resources Preservation Act.

APPEND DOCUMENTATION AS ATTACHMENT 6, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

DESCRIPTION OF PROJECT

1. Project Classification

[Check those applicable - refer to Part 1110.20 and Part 1120.20(b)]

Part 1110 Classification:

☐ Substantive

☒ Non-substantive

2. Narrative Description

In the space below, provide a brief narrative description of the project. Explain **WHAT** is to be done in **State Board defined terms, NOT WHY** it is being done. If the project site does NOT have a street address, include a legal description of the site. Include the rationale regarding the project's classification as substantive or non-substantive.

CGH Medical Center seeks permission from the Illinois Health Facilities and Services Review Board to establish a 10 bed acute mental illness unit at its hospital in Sterling, Illinois. The proposed acute mental illness unit will be located in an existing wing of the hospital to be modernized for behavioral health care.

The anticipate project completion date is November 30, 2020.

This project is considered "non-substantive" because it does not constitute the establishment of a health care facility.

Project Costs and Sources of Funds

Complete the following table listing all costs (refer to Part 1120.110) associated with the project. When a project or any component of a project is to be accomplished by lease, donation, gift, or other means, the fair market or dollar value (refer to Part 1130.140) of the component must be included in the estimated project cost. If the project contains non-reviewable components that are not related to the provision of health care, complete the second column of the table below. Note, the use and sources of funds must be equal.

Project Costs and Sources of Funds			
USE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Preplanning Costs	$28,512	$5,738	$34,250
Site Survey and Soil Investigation			
Site Preparation			
Off Site Work			
New Construction Contracts			
Modernization Contracts	$2,000,000	$400,000	$2,400,000
Contingencies	$300,000	$60,000	$360,000
Architectural/Engineering Fees	$241,432	$48,588	$290,020
Consulting and Other Fees	$98,183	$26,817	$125,000
Movable or Other Equipment (not in construction contracts)	$137,356	$27,644	$165,000
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)			
Fair Market Value of Leased Space or Equipment			
Other Costs To Be Capitalized			
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS	$2,805,483	$568,787	$3,374,270
SOURCE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Cash and Securities	$2,805,483	$568,787	$3,374,270
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	$2,805,483	$568,787	$3,374,270

NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT 7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Related Project Costs
Provide the following information, as applicable, with respect to any land related to the project that will be or has been acquired during the last two calendar years:

Land acquisition is related to project ☐ Yes ☒ No
Purchase Price: $_____
Fair Market Value: $_____

The project involves the establishment of a new facility or a new category of service
☒ Yes ☐ No

If yes, provide the dollar amount of all **non-capitalized** operating start-up costs (including operating deficits) through the first full fiscal year when the project achieves or exceeds the target utilization specified in Part 1100.

Estimated start-up costs and operating deficit cost is $ _____.

Project Status and Completion Schedules

For facilities in which prior permits have been issued please provide the permit numbers.

Indicate the stage of the project's architectural drawings:

☐ None or not applicable ☐ Preliminary
☒ Schematics ☐ Final Working

Anticipated project completion date (refer to Part 1130.140): November 30, 2020

Indicate the following with respect to project expenditures or to financial commitments (refer to Part 1130.140):

☐ Purchase orders, leases or contracts pertaining to the project have been executed.
☐ Financial commitment is contingent upon permit issuance. Provide a copy of the contingent "certification of financial commitment" document, highlighting any language related to CON Contingencies
☒ Financial Commitment will occur after permit issuance.

APPEND DOCUMENTATION AS ATTACHMENT 8, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

State Agency Submittals [Section 1130.620(c)]

Are the following submittals up to date as applicable:
☒ Cancer Registry
☒ APORS
☒ All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted
☒ All reports regarding outstanding permits
Failure to be up to date with these requirements will result in the application for permit being deemed incomplete.

Cost Space Requirements

Provide in the following format, the **Departmental Gross Square Feet (DGSF)** or the **Building Gross Square Feet (BGSF)** and cost. The type of gross square footage either **DGSF** or **BGSF** must be identified. The sum of the department costs **MUST** equal the total estimated project costs. Indicate if any space is being reallocated for a different purpose. Include outside wall measurements plus the department's or area's portion of the surrounding circulation space. **Explain the use of any vacated space.**

		Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
Dept. / Area	**Cost**	**Existing**	**Proposed**	**New Const.**	**Modernized**	**As Is**	**Vacated Space**
REVIEWABLE							
Medical Surgical							
Intensive Care							
Diagnostic Radiology							
MRI							
Total Clinical							
NON REVIEWABLE							
Administrative							
Parking							
Gift Shop							
Total Non-clinical							
TOTAL							

APPEND DOCUMENTATION AS ATTACHMENT 9, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Facility Bed Capacity and Utilization

Complete the following chart, as applicable. Complete a separate chart for each facility that is a part of the project and insert the chart after this page. Provide the existing bed capacity and utilization data for the latest **Calendar Year for which data is available. Include observation days in the patient day totals for each bed service.** Any bed capacity discrepancy from the Inventory will result in the application being deemed **incomplete**.

FACILITY NAME: CGH Medical Center		**CITY:** Sterling, Illinois			
REPORTING PERIOD DATES:		**From:** May 1, 2018		**to:** April 30, 2019	
Category of Service	**Authorized Beds**	**Admissions**	**Patient Days**	**Bed Changes**	**Proposed Beds**
Medical/Surgical	74	2,697	9,007	0	74
Obstetrics	10	561	1,072	0	10
Pediatrics	6	92	268	0	6
Intensive Care	8	594	2,746	0	8
Comprehensive Physical Rehabilitation					
Acute/Chronic Mental Illness	0	0	0	+10	10
Neonatal Intensive Care					
General Long Term Care					
Specialized Long Term Care					
Long Term Acute Care					
Other ((identify)	0	563	952	0	0
TOTALS:	98	4,507	14,045	0	108

CERTIFICATION

The application must be signed by the authorized representative(s) of the applicant entity. The authorized representative(s) are:

- in the case of a corporation, any two of its officers or members of its Board of Directors;
- in the case of a limited liability company, any two of its managers or members (or the sole manager or member when two or more managers or members do not exist);
- in the case of a partnership, two of its general partners (or the sole general partner, when two or more general partners do not exist);
- in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- in the case of a sole proprietor, the individual that is the proprietor.

This Application for Permit is filed on the behalf of the City of Sterling* in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this application for permit on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the permit application fee required for this application is sent herewith or will be paid upon request.

Paul G. Steinke DO
SIGNATURE

Paul G. Steinke DO
PRINTED NAME

CEO
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 5 day of 9/2019

Andrea Vickers
Signature of Notary

Seal
OFFICIAL SEAL
ANDREA VICKERS
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES 04/28/22

Kristie A. Geil
SIGNATURE

KRISTIE A. GEIL
PRINTED NAME

VP, CNO
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 5 day of 9/2019

Andrea Vickers
Signature of Notary

Seal
OFFICIAL SEAL
ANDREA VICKERS
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:04/28/22

*Insert EXACT legal name of the applicant

SECTION III. BACKGROUND, PURPOSE OF THE PROJECT, AND ALTERNATIVES - INFORMATION REQUIREMENTS

This Section is applicable to all projects except those that are solely for discontinuation with no project costs.

1110.110(a) – Background of the Applicant

READ THE REVIEW CRITERION and provide the following required information:

BACKGROUND OF APPLICANT

1. A listing of all health care facilities owned or operated by the applicant, including licensing, and certification if applicable.

2. A listing of all health care facilities currently owned and/or operated in Illinois, by any corporate officers or directors, LLC members, partners, or owners of at least 5% of the proposed health care facility.

3. For the following questions, please provide information for each applicant, including corporate officers or directors, LLC members, partners and owners of at least 5% of the proposed facility. A health care facility is considered owned or operated by every person or entity that owns, directly or indirectly, an ownership interest.

    a. A certified listing of any adverse action taken against any facility owned and/or operated by the applicant, directly or indirectly, during the three years prior to the filing of the application.

    b. A certified listing of each applicant, identifying those individuals that have been cited, arrested, taken into custody, charged with, indicted, convicted or tried for, or pled guilty to the commission of any felony or misdemeanor or violation of the law, except for minor parking violations; or the subject of any juvenile delinquency or youthful offender proceeding. Unless expunged, provide details about the conviction and submit any police or court records regarding any matters disclosed.

    c. A certified and detailed listing of each applicant or person charged with fraudulent conduct or any act involving moral turpitude.

    d. A certified listing of each applicant with one or more unsatisfied judgements against him or her.

    e. A certified and detailed listing of each applicant who is in default in the performance or discharge of any duty or obligation imposed by a judgment, decree, order or directive of any court or governmental agency.

4. Authorization permitting HFSRB and DPH access to any documents necessary to verify the information submitted, including, but not limited to official records of DPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. **Failure to provide such authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.**

5. If, during a given calendar year, an applicant submits more than one application for permit, the documentation provided with the prior applications may be utilized to fulfill the information requirements of this criterion. In such instances, the applicant shall attest that the information was previously provided, cite the project number of the prior application, and certify that no changes have occurred regarding the information that has been previously provided. The applicant is able to submit amendments to previously submitted information, as needed, to update and/or clarify data.

APPEND DOCUMENTATION AS ATTACHMENT 11, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-4) MUST BE IDENTIFIED IN ATTACHMENT 11.

Criterion 1110.110(b) & (d)

PURPOSE OF PROJECT

1. Document that the project will provide health services that improve the health care or well-being of the market area population to be served.
2. Define the planning area or market area, or other relevant area, per the applicant's definition.
3. Identify the existing problems or issues that need to be addressed as applicable and appropriate for the project.
4. Cite the sources of the documentation.
5. Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.
6. Provide goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals as appropriate.

For projects involving modernization, describe the conditions being upgraded, if any. For facility projects, include statements of the age and condition of the project site, as well as regulatory citations, if any. For equipment being replaced, include repair and maintenance records.

NOTE: Information regarding the "Purpose of the Project" will be included in the State Board Staff Report.

APPEND DOCUMENTATION AS ATTACHMENT 12, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-6) MUST BE IDENTIFIED IN ATTACHMENT 12.

ALTERNATIVES

1) Identify **ALL** of the alternatives to the proposed project:

Alternative options **must** include:

A) Proposing a project of greater or lesser scope and cost;

B) Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes;

C) Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project; and

D) Provide the reasons why the chosen alternative was selected.

2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of total costs, patient access, quality and financial benefits in both the short-term (within one to three years after project completion) and long-term. This may vary by project or situation. **FOR EVERY ALTERNATIVE IDENTIFIED, THE TOTAL PROJECT COST AND THE REASONS WHY THE ALTERNATIVE WAS REJECTED MUST BE PROVIDED.**

3) The applicant shall provide empirical evidence, including quantified outcome data that verifies improved quality of care, as available.

APPEND DOCUMENTATION AS ATTACHMENT 13, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION IV. PROJECT SCOPE, UTILIZATION, AND UNFINISHED/SHELL SPACE

Criterion 1110.120 - Project Scope, Utilization, and Unfinished/Shell Space

READ THE REVIEW CRITERION and provide the following information:

SIZE OF PROJECT:

1. Document that the amount of physical space proposed for the proposed project is necessary and not excessive. **This must be a narrative and it shall include the basis used for determining the space and the methodology applied.**

2. If the gross square footage exceeds the BGSF/DGSF standards in Appendix B, justify the discrepancy by documenting one of the following:

   a. Additional space is needed due to the scope of services provided, justified by clinical or operational needs, as supported by published data or studies and certified by the facility's Medical Director.

   b. The existing facility's physical configuration has constraints or impediments and requires an architectural design that delineates the constraints or impediments.

   c. The project involves the conversion of existing space that results in excess square footage.

   d. Additional space is mandated by governmental or certification agency requirements that were not in existence when Appendix B standards were adopted.

Provide a narrative for any discrepancies from the State Standard. A table must be provided in the following format with Attachment 14.

SIZE OF PROJECT				
DEPARTMENT/SERVICE	**PROPOSED BGSF/DGSF**	**STATE STANDARD**	**DIFFERENCE**	**MET STANDARD?**

APPEND DOCUMENTATION AS ATTACHMENT 14, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

PROJECT SERVICES UTILIZATION:

This criterion is applicable only to projects or portions of projects that involve services, functions or equipment for which HFSRB has established utilization standards or occupancy targets in 77 Ill. Adm. Code 1100.

Document that in the second year of operation, the annual utilization of the service or equipment shall meet or exceed the utilization standards specified in 1110.Appendix B. **A narrative of the rationale that supports the projections must be provided.**

A table must be provided in the following format with Attachment 15.

UTILIZATION					
	DEPT./ SERVICE	**HISTORICAL UTILIZATION (PATIENT DAYS) (TREATMENTS) ETC.**	**PROJECTED UTILIZATION**	**STATE STANDARD**	**MEET STANDARD?**
YEAR 1					
YEAR 2					

APPEND DOCUMENTATION AS ATTACHMENT 15, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

UNFINISHED OR SHELL SPACE:

Provide the following information:

1. Total gross square footage (GSF) of the proposed shell space.
2. The anticipated use of the shell space, specifying the proposed GSF to be allocated to each department, area or function.
3. Evidence that the shell space is being constructed due to:
   a. Requirements of governmental or certification agencies; or
   b. Experienced increases in the historical occupancy or utilization of those areas proposed to occupy the shell space.
4. Provide:
   a. Historical utilization for the area for the latest five-year period for which data is available; and
   b. Based upon the average annual percentage increase for that period, projections of future utilization of the area through the anticipated date when the shell space will be placed into operation.

APPEND DOCUMENTATION AS ATTACHMENT 16, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

ASSURANCES:

Submit the following:

1. Verification that the applicant will submit to HFSRB a CON application to develop and utilize the shell space, regardless of the capital thresholds in effect at the time or the categories of service involved.
2. The estimated date by which the subsequent CON application (to develop and utilize the subject shell space) will be submitted; and
3. The anticipated date when the shell space will be completed and placed into operation.

APPEND DOCUMENTATION AS ATTACHMENT 17, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

C. Criterion 1110.210 - Acute Mental Illness and Chronic Mental Illness

1. Applicants proposing to establish, expand and/or modernize the Acute Mental Illness and Chronic Mental Illness categories of service must submit the following information:

2. Indicate bed capacity changes by Service: Indicate # of beds changed by action(s):

Category of Service	# Existing Beds	# Proposed Beds
☒ Acute Mental Illness	0	10
☐ Chronic Mental Illness		

3. READ the applicable review criteria outlined below and **submit the required documentation for the criteria:**

APPLICABLE REVIEW CRITERIA	Establish	Expand	Modernize
1110.210(b)(1) - Planning Area Need - 77 Ill. Adm. Code 1100 (formula calculation)	X		
1110.210(b)(2) - Planning Area Need - Service to Planning Area Residents	X	X	
1110.210(b)(3) - Planning Area Need - Service Demand - Establishment of Category of Service	X		
1110.210(b)(4) - Planning Area Need - Service Demand - Expansion of Existing Category of Service		X	
1110.210(b)(5) - Planning Area Need - Service Accessibility	X		
1110.210(c)(1) - Unnecessary Duplication of Services	X		
1110.210(c)(2) - Maldistribution	X		
1110.210(c)(3) - Impact of Project on Other Area Providers	X		
1110.210(d)(1), (2), and (3) - Deteriorated Facilities			X
1110.210(d)(4) - Occupancy			X
1110.210(e)(1) - Staffing Availability	X	X	
1110.210(f) - Performance Requirements	X	X	X
1110.210(g) - Assurances	X	X	

APPEND DOCUMENTATION AS ATTACHMENT 20, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

The following Sections DO NOT need to be addressed by the applicants or co-applicants responsible for funding or guaranteeing the funding of the project if the applicant has a bond rating of A- or better from Fitch's or Standard and Poor's rating agencies, or A3 or better from Moody's (the rating shall be affirmed within the latest 18-month period prior to the submittal of the application):

- **Section 1120.120 Availability of Funds – Review Criteria**
- **Section 1120.130 Financial Viability – Review Criteria**
- **Section 1120.140 Economic Feasibility – Review Criteria, subsection (a)**

VI. 1120.120 - AVAILABILITY OF FUNDS

The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources from the following sources, as applicable **[Indicate the dollar amount to be provided from the following sources]:**

$3,374,270	a)	Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to: 1) the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and 2) interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion;
_____	b)	Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated time table of gross receipts and related fundraising expenses, and a discussion of past fundraising experience.
_____	c)	Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;
_____	d)	Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including: 1) For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated; 2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate; 3) For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.; 4) For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment; 5) For any option to lease, a copy of the option, including all

	terms and conditions.
_____	e) Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent;
_____	f) Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;
_____	g) All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
$3,374,270	**TOTAL FUNDS AVAILABLE**

APPEND DOCUMENTATION AS ATTACHMENT 33, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION VII. 1120.130 - FINANCIAL VIABILITY

All the applicants and co-applicants shall be identified, specifying their roles in the project funding or guaranteeing the funding (sole responsibility or shared) and percentage of participation in that funding.

Financial Viability Waiver

The applicant is not required to submit financial viability ratios if:

1. "A" Bond rating or better
2. All of the projects capital expenditures are completely funded through internal sources
3. The applicant's current debt financing or projected debt financing is insured or anticipated to be insured by MBIA (Municipal Bond Insurance Association Inc.) or equivalent
4. The applicant provides a third party surety bond or performance bond letter of credit from an A rated guarantor.

See Section 1120.130 Financial Waiver for information to be provided

APPEND DOCUMENTATION AS ATTACHMENT 34, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

The applicant or co-applicant that is responsible for funding or guaranteeing funding of the project shall provide viability ratios for the latest three years for which **audited financial statements are available and for the first full fiscal year at target utilization, but no more than two years following project completion.** When the applicant's facility does not have facility specific financial statements and the facility is a member of a health care system that has combined or consolidated financial statements, the system's viability ratios shall be provided. If the health care system includes one or more hospitals, the system's viability ratios shall be evaluated for conformance with the applicable hospital standards.

	Historical 3 Years			Projected
Enter Historical and/or Projected Years:				
Current Ratio				
Net Margin Percentage				
Percent Debt to Total Capitalization				
Projected Debt Service Coverage				
Days Cash on Hand				
Cushion Ratio				

Provide the methodology and worksheets utilized in determining the ratios detailing the calculation and applicable line item amounts from the financial statements. Complete a separate table for each co-applicant and provide worksheets for each.

Variance

Applicants not in compliance with any of the viability ratios shall document that another organization, public or private, shall assume the legal responsibility to meet the debt obligations should the applicant default.

APPEND DOCUMENTATION AS ATTACHMENT 35, IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION VIII.1120.140 - ECONOMIC FEASIBILITY

This section is applicable to all projects subject to Part 1120.

A. Reasonableness of Financing Arrangements

The applicant shall document the reasonableness of financing arrangements by submitting a notarized statement signed by an authorized representative that attests to one of the following:

1) That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or

2) That the total estimated project costs and related costs will be funded in total or in part by borrowing because:

A) A portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; or

B) Borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

B. Conditions of Debt Financing

This criterion is applicable only to projects that involve debt financing. The applicant shall document that the conditions of debt financing are reasonable by submitting a notarized statement signed by an authorized representative that attests to the following, as applicable:

1) That the selected form of debt financing for the project will be at the lowest net cost available;

2) That the selected form of debt financing will not be at the lowest net cost available, but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors;

3) That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment.

C. Reasonableness of Project and Related Costs

Read the criterion and provide the following:

1. Identify each department or area impacted by the proposed project and provide a cost and square footage allocation for new construction and/or modernization using the following format (insert after this page).

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE

Department (list below)	A	B	C	D	E	F	G	H	Total Cost (G + H)
	Cost/Square Foot New	Cost/Square Foot Mod.	Gross Sq. Ft. New	Gross Sq. Ft. Circ.*	Gross Sq. Ft. Mod.	Gross Sq. Ft. Circ.*	Const. $ (A x C)	Mod. $ (B x E)	
Contingency									
TOTALS									

* Include the percentage (%) of space for circulation

D. Projected Operating Costs

The applicant shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years following project completion. Direct cost means the fully allocated costs of salaries, benefits and supplies for the service.

E. Total Effect of the Project on Capital Costs

The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

APPEND DOCUMENTATION AS ATTACHMENT 36, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION IX. SAFETY NET IMPACT STATEMENT

SAFETY NET IMPACT STATEMENT that describes all the following must be submitted for ALL SUBSTANTIVE PROJECTS AND PROJECTS TO DISCONTINUE HEALTH CARE FACILITIES [20 ILCS 3960/5.4]:

1. The project's material impact, if any, on essential safety net services in the community, to the extent that it is feasible for an applicant to have such knowledge.

2. The project's impact on the ability of another provider or health care system to cross-subsidize safety net services, if reasonably known to the applicant.

3. How the discontinuation of a facility or service might impact the remaining safety net providers in a given community, if reasonably known by the applicant.

Safety Net Impact Statements shall also include all of the following:

1. For the 3 fiscal years prior to the application, a certification describing the amount of charity care provided by the applicant. The amount calculated by hospital applicants shall be in accordance with the reporting requirements for charity care reporting in the Illinois Community Benefits Act. Non-hospital applicants shall report charity care, at cost, in accordance with an appropriate methodology specified by the Board.

2. For the 3 fiscal years prior to the application, a certification of the amount of care provided to Medicaid patients. Hospital and non-hospital applicants shall provide Medicaid information in a manner consistent with the information reported each year to the Illinois Department of Public Health regarding "Inpatients and Outpatients Served by Payor Source" and "Inpatient and Outpatient Net Revenue by Payor Source" as required by the Board under Section 13 of this Act and published in the Annual Hospital Profile.

3. Any information the applicant believes is directly relevant to safety net services, including information regarding teaching, research, and any other service.

A table in the following format must be provided as part of Attachment 38.

Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	**Year**	**Year**	**Year**
Inpatient			
Outpatient			
Total			
Charity (cost In dollars)			
Inpatient			
Outpatient			
Total			
MEDICAID			
Medicaid (# of patients)	**Year**	**Year**	**Year**
Inpatient			
Outpatient			
Total			
Medicaid (revenue)			
Inpatient			
Outpatient			

Total			

APPEND DOCUMENTATION AS ATTACHMENT 37, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION X. CHARITY CARE INFORMATION

Charity Care information MUST be furnished for ALL projects [1120.20(c)].

1. All applicants and co-applicants shall indicate the amount of charity care for the latest three **audited** fiscal years, the cost of charity care and the ratio of that charity care cost to net patient revenue.

2. If the applicant owns or operates one or more facilities, the reporting shall be for each individual facility located in Illinois. If charity care costs are reported on a consolidated basis, the applicant shall provide documentation as to the cost of charity care; the ratio of that charity care to the net patient revenue for the consolidated financial statement; the allocation of charity care costs; and the ratio of charity care cost to net patient revenue for the facility under review.

3. If the applicant is not an existing facility, it shall submit the facility's projected patient mix by payer source, anticipated charity care expense and projected ratio of charity care to net patient revenue by the end of its second year of operation.

Charity care" means care provided by a health care facility for which the provider does not expect to receive payment from the patient or a third-party payer (20 ILCS 3960/3). Charity Care must be provided at cost.

A table in the following format must be provided for all facilities as part of Attachment 39.

CHARITY CARE			
	Year	Year	Year
Net Patient Revenue			
Amount of Charity Care (charges)			
Cost of Charity Care			

APPEND DOCUMENTATION AS ATTACHMENT 38, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Section I, Identification, General Information, and Certification
Applicants

CGH Medical Center ("CGHMC") is the operator/licensee of the hospital which proposes to add an acute mental illness bed unit.

CGHMC is a component unit of the City of Sterling and is not a separate legal entity. As the person with final control over the operator, the City of Sterling is named as an applicant for this CON application. The City of Sterling is a government entity. The State of Illinois does not recognize municipalities as a corporate entity which maintains standing in the same way that a limited liability corporation, corporation, or partnership does. A certificate of good standing is not a concept that the Illinois Secretary of State applies to the City of Sterling as a municipality. Therefore, this item is not applicable.

August 26, 2019

To whom it may concern:

This letter is to certify that CGH Medical Center is a governmental agency by virtue of being a component unit of the City of Sterling, Illinois. CGH Medical Center is presented as a component unit in the City of Sterling, Illinois' financial statements as ownership lies with the City and the Center is financially accountable. The board of directors for the Center are appointed by the Mayor of the City and approved by the City's Council. As a result, CGH Medical Center is not incorporated and is not required to file an annual report with the State.

Please feel free to contact me with any questions regarding the governmental status of CGH Medical Center at 815-625-0400 extension 4860 or at Ben.Schaab@cghmc.com.

Sincerely,

Ben Schaab
CFO and VP of Fiscal Services

State of Illinois
County of Whiteside

This instrument was acknowledged before me on 8-26-19

By Beth Lancaster

OFFICIAL SEAL
BETH LANCASTER
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:04/28/22

100 East LeFevre Road • Sterling, IL 61081 • 815.625.0400 • www.cghmc.com

Section I, Identification, General Information, and Certification
Site Ownership

A notarized statement from the City of Sterling attesting to ownership of the CGHMC site is attached at Attachment – 2.

Richard Sewell
Vice Chair
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: Site Ownership

Dear Vice Chair Sewell:

I hereby attest the site of the CGH Medical Center is located on property that is owned and controlled by the City of Sterling. CGH Medical Center is a component unit of the City of Sterling and does not within a separate legal entity.

Sincerely,

Paul H. Stenki
CFO

Subscribed and sworn to me
This 5 day of September, 2019

Andrea Vickers
Notary Public

OFFICIAL SEAL
ANDREA VICKERS
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:04/28/22

Section I, Identification, General Information, and Certification
Operating Entity/Licensee

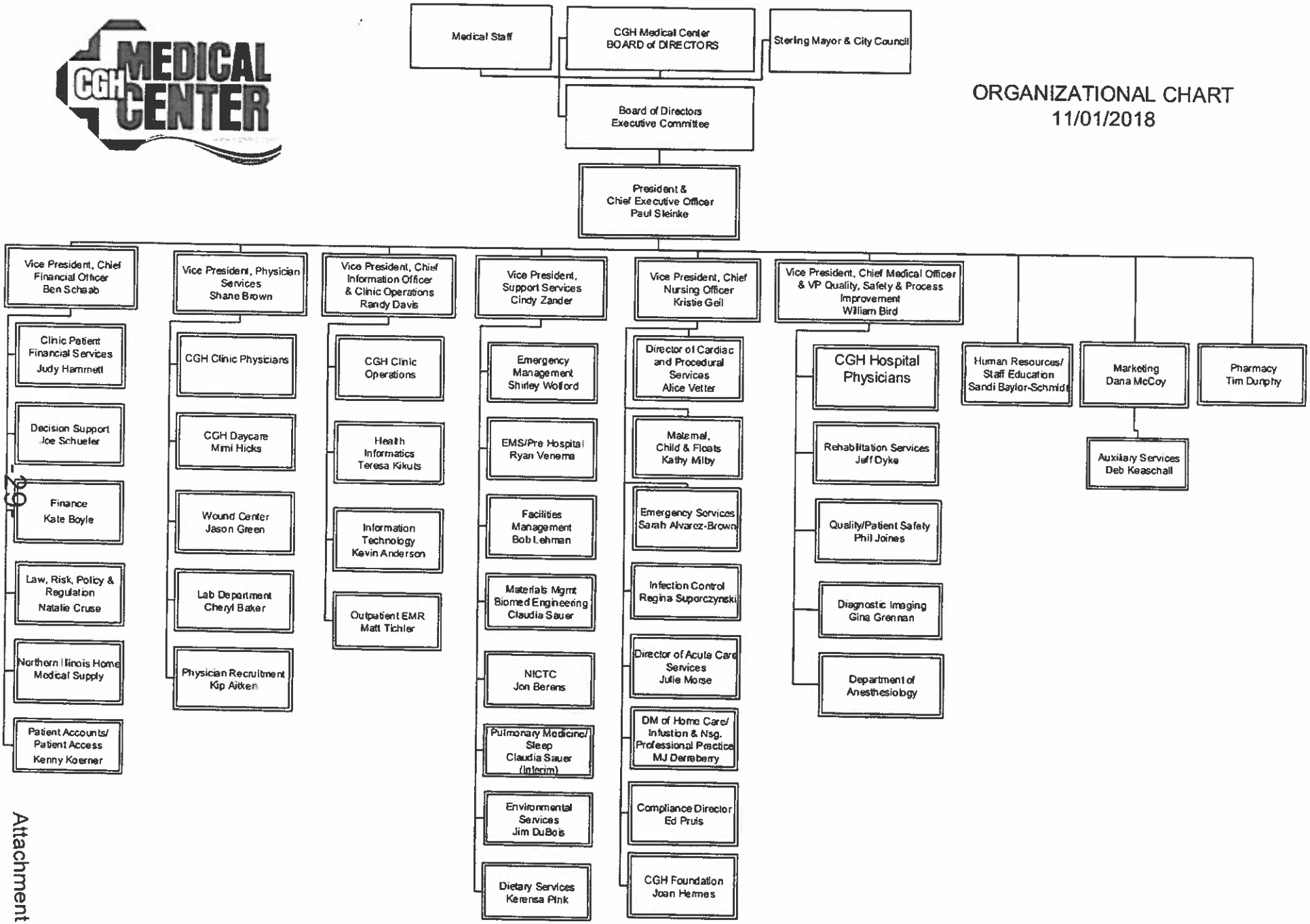
CGHMC is the operator/licensee of the hospital.

CGHMC is a component unit of the City of Sterling and is not a separate legal entity. As the person with final control over the operator, the City of Sterling is named as an applicant for this CON application. The City of Sterling is a government entity. The State of Illinois does not recognize municipalities as a corporate entity which maintains standing in the same way that a limited liability corporation, corporation, or partnership does. A certificate of good standing is not a concept that the Illinois Secretary of State applies to the City of Sterling as a municipality. Therefore, this item is not applicable.

Section I, Identification, General Information, and Certification
Organizational Relationships

The organizational chart for CGHMC is attached at Attachment – 4.

ORGANIZATIONAL CHART
11/01/2018



Attachment – 4

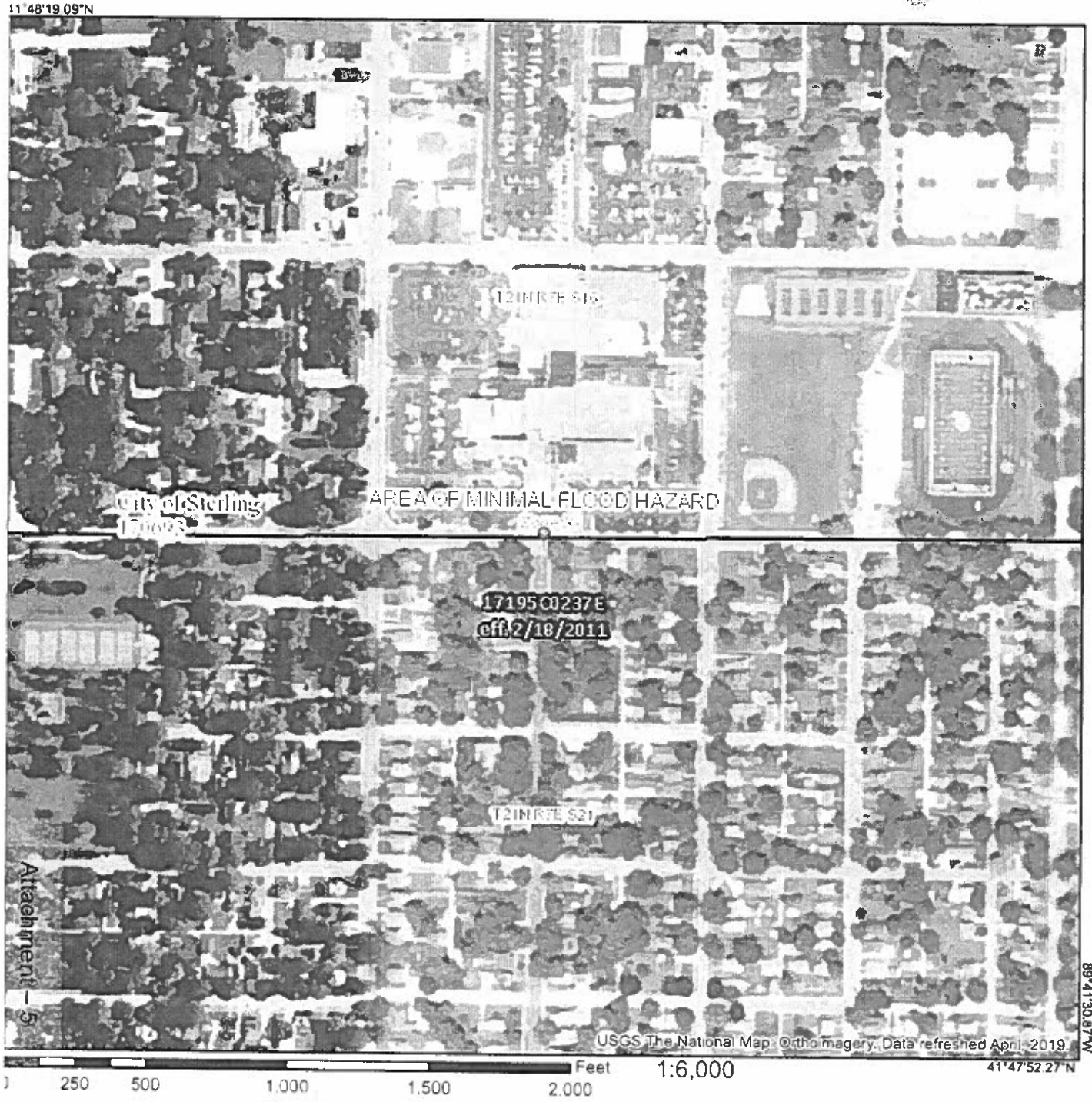
#19-049

Section I, Identification, General Information, and Certification
Flood Plain Requirements

The site of the CGHMC complies with the requirements of Illinois Executive Order #2006-5. The hospital is located at 100 East LeFevre Road, Sterling, Illinois. As shown in the documentation from the FEMA Flood Map Service Center attached at Attachment – 5. The interactive map for Panel 17195C0237E reveals that this area is not included in the flood plain.

National Flood Hazard Layer FIRMette

FEMA



Legend

SEE FIS REPORT FOR DETAILED LEGEND AND INDEX MAP FOR FIRM PANEL LAYOUT

- SPECIAL FLOOD HAZARD AREAS
  - Without Base Flood Elevation (BFE) Zone A, V, A99
  - With BFE or Depth Zone AE, AO, AH, VE, AR
  - Regulatory Floodway
- OTHER AREAS OF FLOOD HAZARD
  - 0.2% Annual Chance Flood Hazard, Are of 1% annual chance flood with average depth less than one foot or with drainag areas of less than one square mile Zone
  - Future Conditions 1% Annual Chance Flood Hazard Zone
  - Area with Reduced Flood Risk due to Levee. See Notes. Zone
  - Area with Flood Risk due to Levee Zone
- OTHER AREAS
  - NO SCREEN Area of Minimal Flood Hazard Zone X
  - Effective LOMRs
  - Area of Undetermined Flood Hazard Zone
- GENERAL STRUCTURES
  - Channel, Culvert, or Storm Sewer
  - Levee, Dike, or Floodwall
- OTHER FEATURES
  - 20.2 Cross Sections with 1% Annual Chance
  - 17.5 Water Surface Elevation
  - Coastal Transect
  - Base Flood Elevation Line (BFE)
  - Limit of Study
  - Jurisdiction Boundary
  - Coastal Transect Baseline
  - Profile Baseline
  - Hydrographic Feature
- MAP PANELS
  - Digital Data Available
  - No Digital Data Available
  - Unmapped

N

The pin displayed on the map is an approximat point selected by the user and does not repres an authoritative property location.

This map complies with FEMA's standards for the use of digital flood maps if it is not void as described below. The basemap shown complies with FEMA's basemap accuracy standards

The flood hazard information is derived directly from the authoritative NFHL web services provided by FEMA. This map was exported on 8/21/2019 at 6:42:27 PM and does not reflect changes or amendments subsequent to this date and time. The NFHL and effective information may change or become superseded by new data over time.

This map image is void if the one or more of the following map elements do not appear: basemap imagery, flood zone labels, legend, scale bar, map creation date, community identifiers, FIRM panel number, and FIRM effective date. Map images for unmapped and unmodernized areas cannot be used for regulatory purposes.

Attachment – 5

#19-049

Section I, Identification, General Information, and Certification
Historic Resources Preservation Act Requirements

The Applicant submitted a request for determination that the proposed project is compliant with the Historic Resources Preservation Act. A copy of the letter is attached at Attachment – 6.

POLSINELLI

150 N. Riverside Plaza, Suite 3000, Chicago, IL 60606-1599 • 312.819.1900

September 20, 2019

Anne M. Cooper
(312) 873-3606
(312) 276-4317 Direct Fax
acooper@polsinelli.com

Via Federal Express

Robert F. Appleman
Deputy State Historic Preservation Officer
State Historic Preservation Office
Illinois Department of Natural Resources
Attn: Review & Compliance
1 Old State Capitol Plaza
Springfield, Illinois 62701

Re: Historic Preservation Act Determination – CGH Medical Center

Dear Mr. Appleman:

This office represents CGH Medical Center (the "Requestor"). Pursuant to Section 4 of the Illinois State Agency Historic Resources Preservation Act, Requestor seeks a formal determination from the Illinois Historic Preservation Agency as to whether Requestor's proposed project to establish an acute mental health unit located in its existing hospital located at 100 East LeFevre Road, Sterling, Illinois 61081 ("Proposed Project") affects historic resources.

1. Project Description and Address

The Requestor is seeking a certificate of need from the Illinois Health Facilities and Services Review Board to establish an acute mental health unit located in its existing hospital located at 100 East LeFevre Road, Sterling, Illinois 61081. This project will involve the internal modernization of an existing building. No demolition or physical alteration of the exterior of any existing buildings will occur as a result of the Proposed Project.

2. Topographical or Metropolitan Map

A metropolitan map showing the location of the Proposed Project is attached at Attachment 1.

POLSINELLI

3. Historic Architectural Resources Geographic Information System

A map from the Historic Architectural Resources Geographic Information System is attached at Attachment 2. The property is not listed on the (i) National Register, (ii) within a local historic district, or (iii) within a local landmark.

4. Photographs of Standing Buildings/Structure

Photographs of the hospital are attached at Attachment 3.

5. Addresses for Buildings/Structures

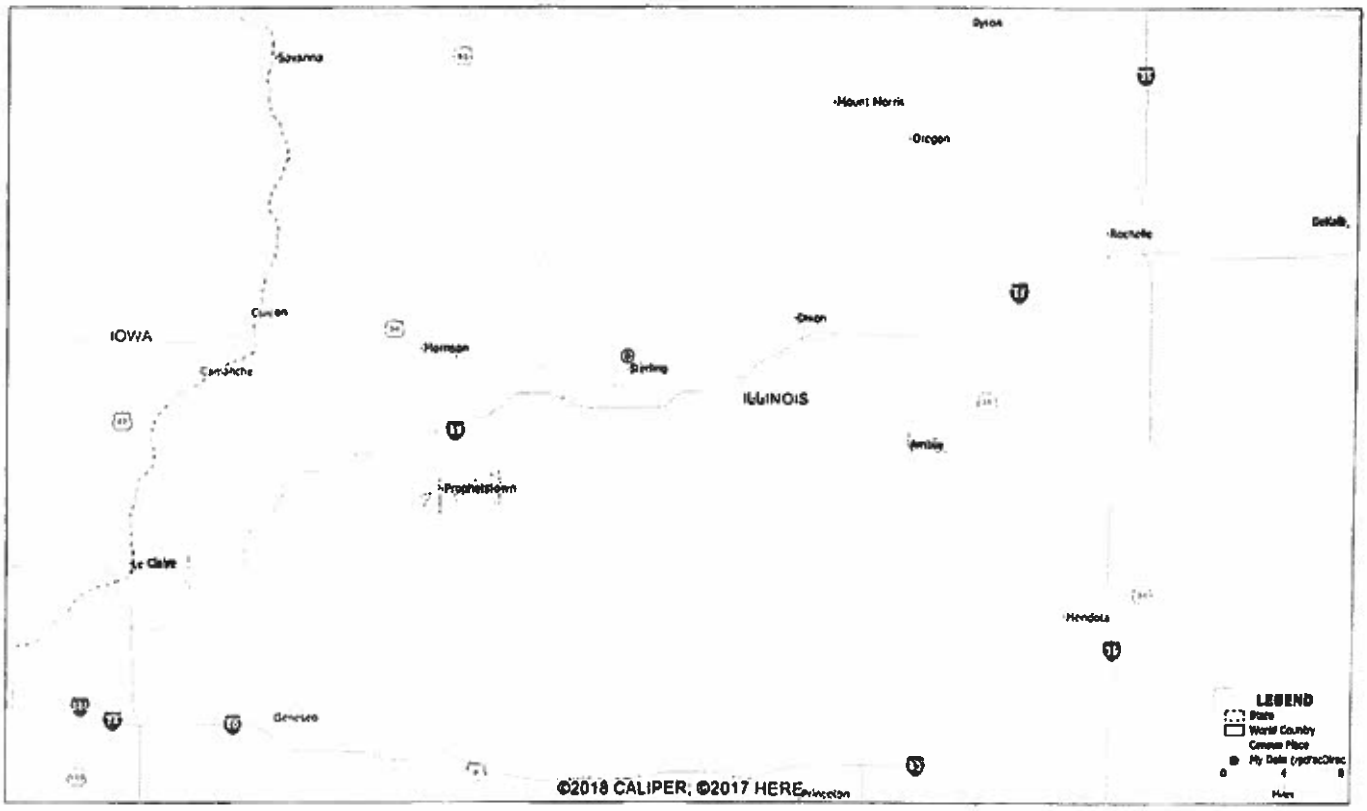
The Proposed Project is located at 100 East LeFevre Road, Sterling, Illinois 61081.

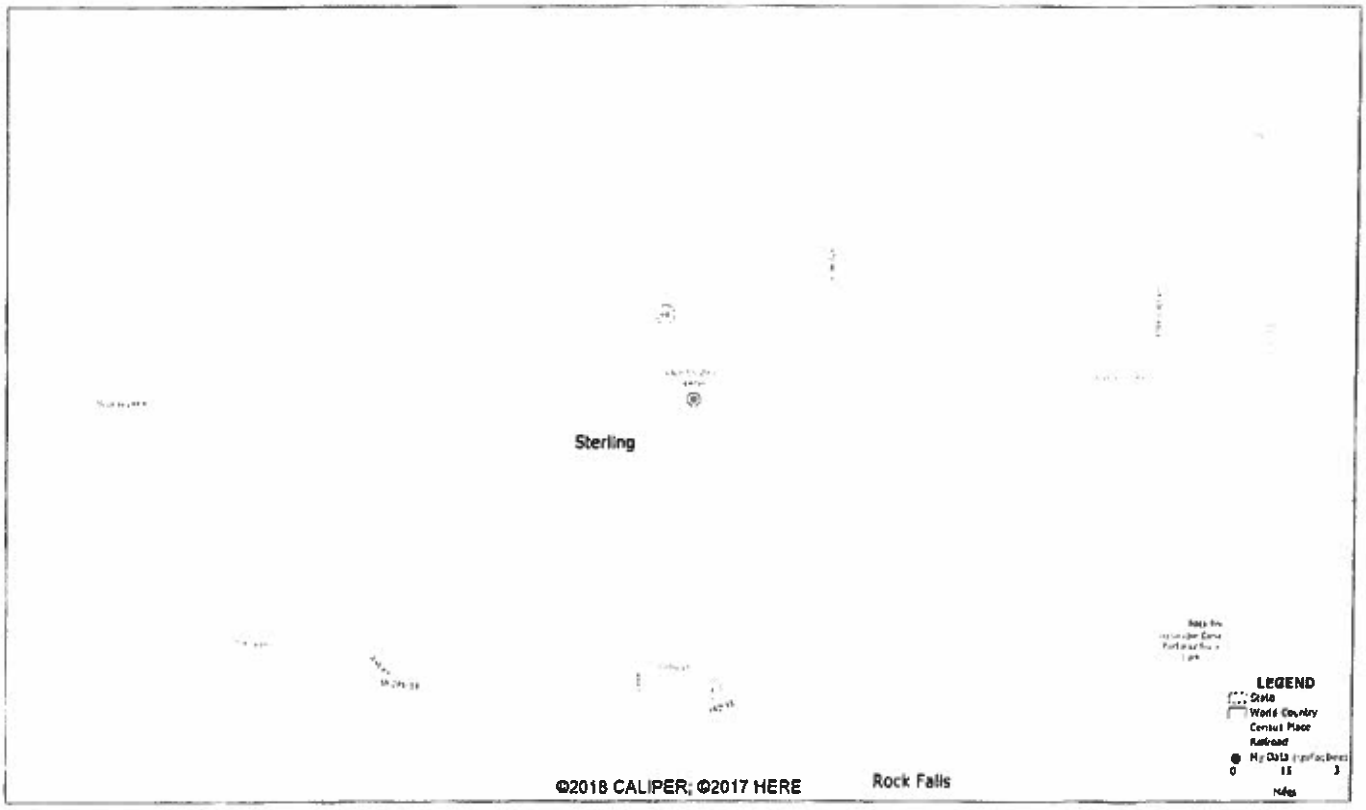
Thank you for your time and consideration of our request for Historic Preservation Determination. If you have any questions or need any additional information, please feel free to contact me at 312-873-3606 or acooper@polsinelli.com

Sincerely,

Anne M. Cooper

Attachments


Savanna
Mount Morris
Oregon
Byron
Rochelle
DeKalb
IOWA
Clinton
Camanche
Morrison
Sterling
Dixon
ILLINOIS
Prophetstown
Sycamore
Hinckley
Hendota
LEGEND
State
World Country
Census Place
©2018 CALIPER; ©2017 HERE


Sterling
Rock Falls
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LEGEND
State
World Country
Census Place
Railroad
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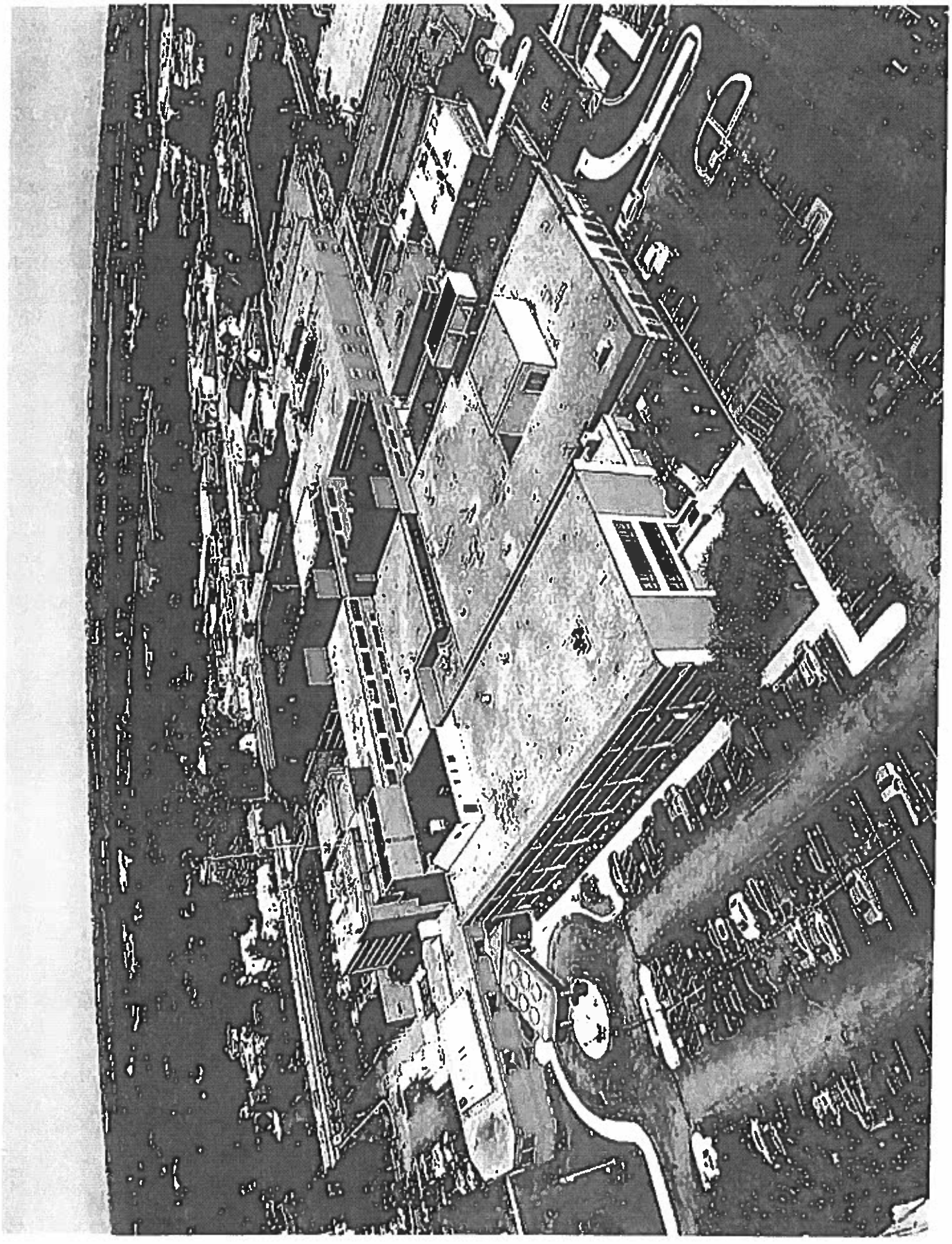
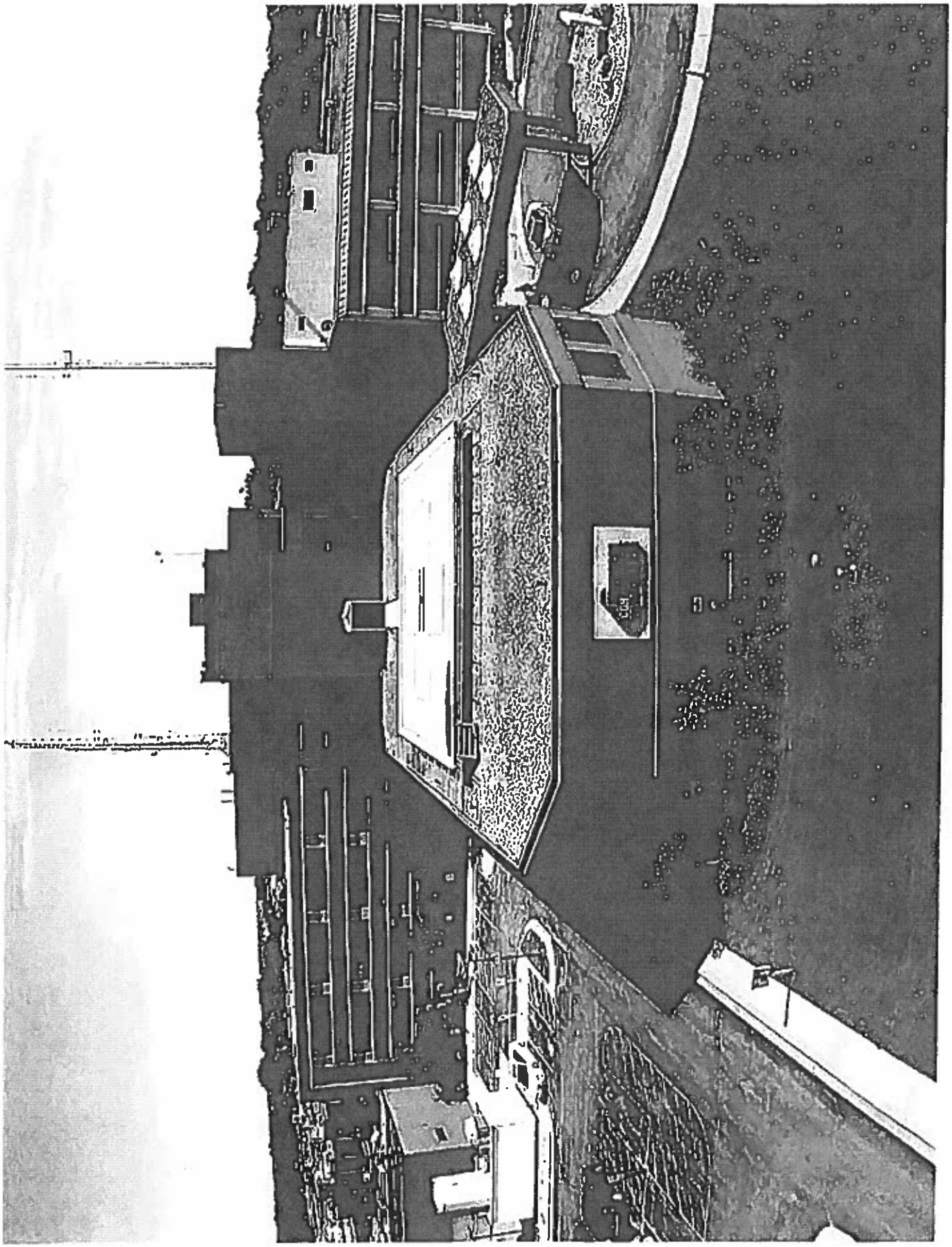
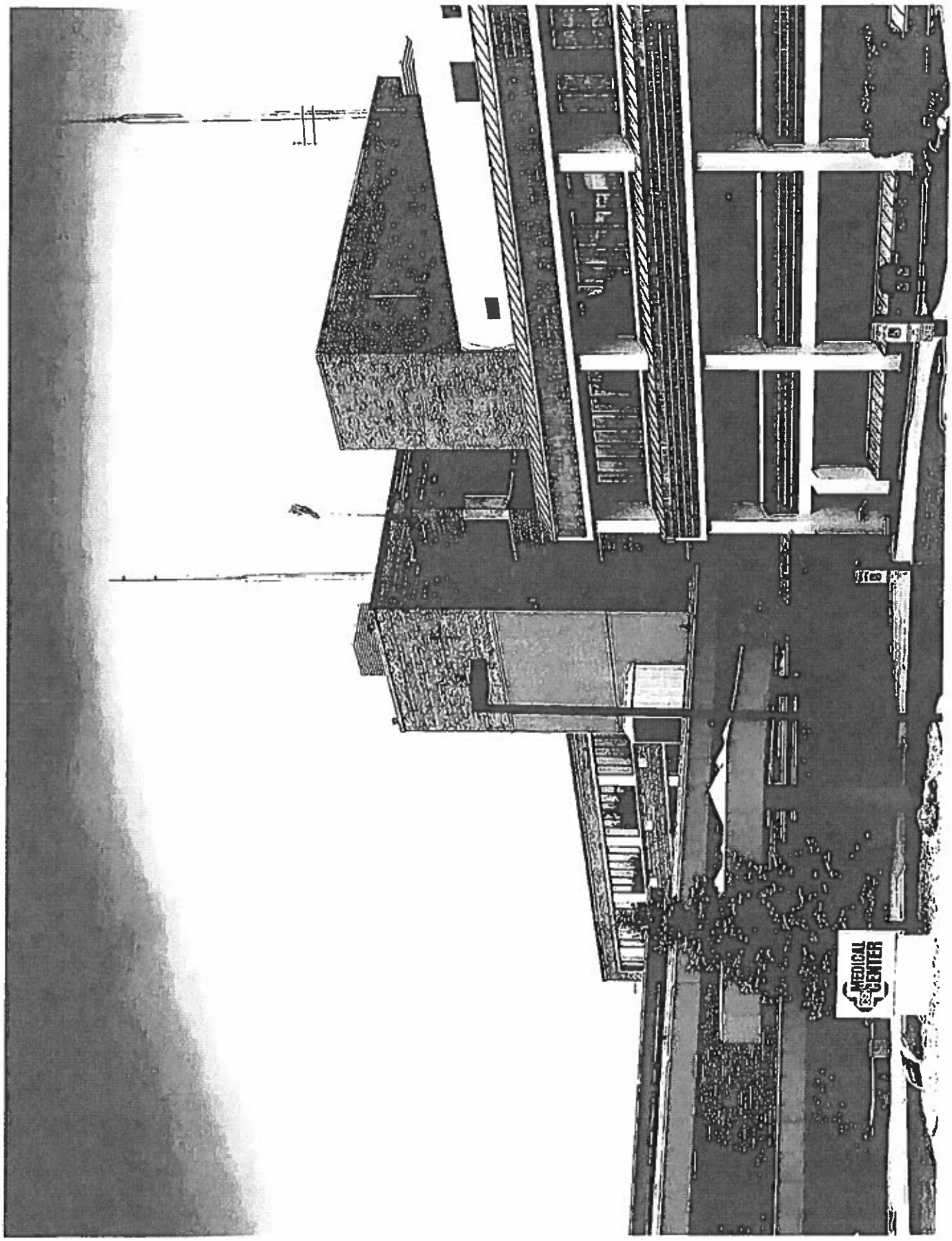
15
Miles

Attachment - 2






MEDICAL CENTER

Section I, Identification, General Information, and Certification
Project Costs and Sources of Funds

Table 1120.110			
Project Cost	**Clinical**	**Non-Clinical**	**Total**
Preplanning Costs	$28,512	$5,738	$34,250
Modernization Contracts	$2,000,000	$400,000	$2,400,000
Contingencies	$300,000	$60,000	$360,000
Architectural/Engineering Fees	$241,432	$48,588	$290,020
Consulting and Other Fees	$98,183	$26,817	$125,000
Moveable and Other Equipment			
Furniture	$137,356	$27,644	$165,000
Total Moveable and Other Equipment	$137,356	$27,644	$165,000
Total Project Costs	**$2,805,483**	**$568,787**	**$3,374,270**

Section I, Identification, General Information, and Certification
Project Status and Completion Schedules

The Applicants anticipate project completion within approximately **11** months of project approval.

Section I, Identification, General Information, and Certification
Cost Space Requirements

Cost Space Table							
		Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
Dept. / Area	Cost	Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
CLINICAL							
AMI Unit	$2,805,483	5,595			5,595		
Total Clinical	**$2,805,483**	**5,595**			**5,595**		
NON REVIEWABLE							
Staff Support	$568,787	1,126			1,126		
Total Non-Reviewable	$568,787	**1,126**			**1,126**		
TOTAL	**$3,374,270**	**6,721**			**6,721**		

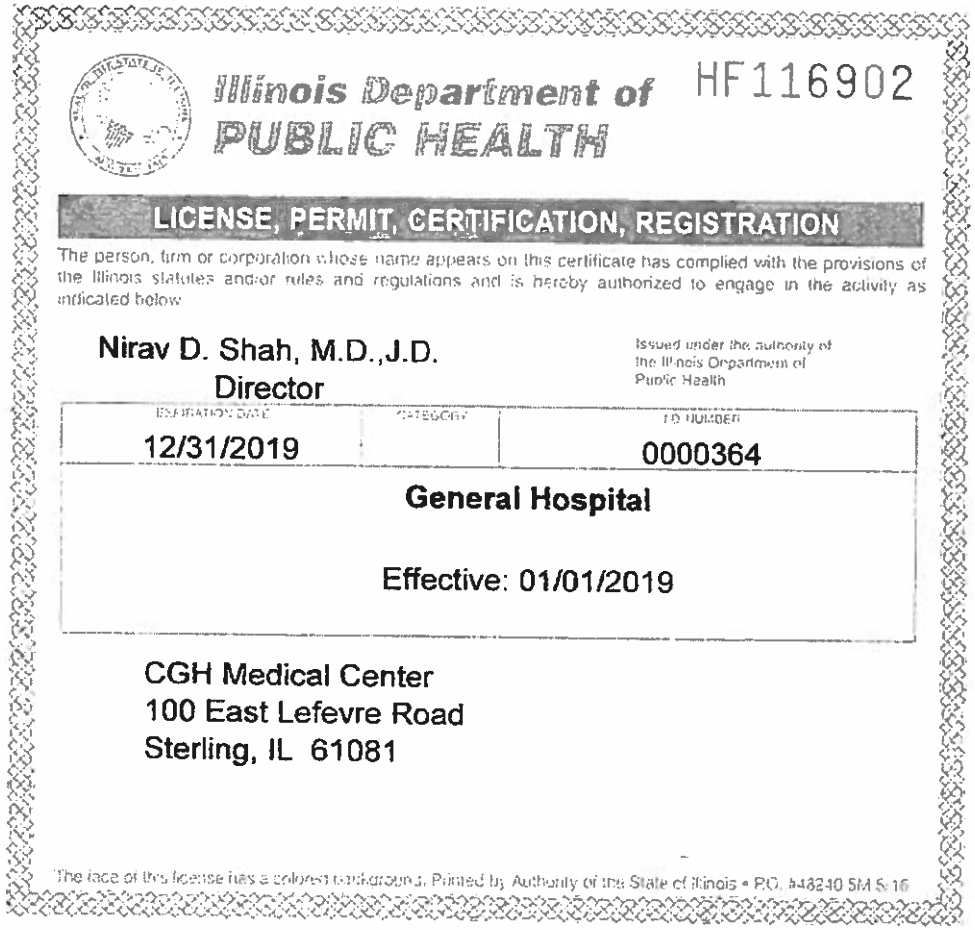
Section III, Project Purpose, Background and Alternatives – Information Requirements
Criterion 1110.110(a), Project Purpose, Background and Alternatives

Neither the Centers for Medicare and Medicaid Services nor the Illinois Department of Public Health ("IDPH") has taken any adverse action involving civil monetary penalties or restriction or termination of participation in the Medicare or Medicaid programs against any Illinois health care facilities owned or operated by the Applicant, directly or indirectly, within three years preceding the filing of this application.

The City of Sterling only operates CGHMC. Copies of the CGHMC IDPH license and Joint Commission Accreditation are attached at Attachment – 11A.

Certification that no adverse action has been taken against any health care facilities owned or operated by the Applicant in Illinois within three years preceding the filing of this application is attached at Attachment – 11B.

An authorization permitting the Illinois Health Facilities and Services Review Board ("State Board") and IDPH access to any documents necessary to verify information submitted, including, but not limited to: official records of IDPH or other State agencies; and the records of nationally recognized accreditation organizations is attached at Attachment – 11B.



Illinois Department of PUBLIC HEALTH

HF116902

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below

Nirav D. Shah, M.D.,J.D.
Director

Issued under the authority of the Illinois Department of Public Health

EXPIRATION DATE	CATEGORY	I.D. NUMBER
12/31/2019		0000364

General Hospital

Effective: 01/01/2019

CGH Medical Center
100 East Lefevre Road
Sterling, IL 61081

The face of this license has a colored background. Printed by Authority of the State of Illinois • P.O. #48240 SM 5-16

← DISPLAY THIS PART IN A CONSPICUOUS PLACE

Exp. Date 12/31/2019

Lic Number 0000364

Date Printed 11/14/2018

CGH Medical Center

100 East Lefevre Road
Sterling, IL 61081

FEE RECEIPT NO.

CGH Medical Center

Sterling, IL

has been Accredited by

The Joint Commission

Which has surveyed this organization and found it to meet the requirements for the

Hospital Accreditation Program

July 28, 2018

Accreditation is customarily valid for up to 36 months.

Craig W. Jones, FACHE
Chair, Board of Commissioners

ID #7435
Print/Reprint Date: 10/19/2018

Mark R. Chassin, MD, FACP, MPP, MPH
President

The Joint Commission is an independent, not-for-profit national body that oversees the safety and quality of health care and other services provided in accredited organizations. Information about accredited organizations may be provided directly to The Joint Commission at 1-800-994-6610. Information regarding accreditation and the accreditation performance of individual organizations can be obtained through The Joint Commission's web site at www.jointcommission.org.

Richard Sewell
Vice Chair
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Dear Vice Chair Sewell:

I hereby certify under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109 that no adverse action as defined in 77 Ill. Admin. Code § 1130.140 has been taken against any health care facility owned or operated by the City of Sterling in the State of Illinois during the three year period prior to filing this application.

Additionally, pursuant to 77 Ill. Admin. Code § 1110.110(a)(2)(J), I hereby authorize the Health Facilities and Services Review Board ("HFSRB") and the Illinois Department of Public Health ("IDPH") access to any documents necessary to verify information submitted as part of this application for permit. I further authorize HFSRB and IDPH to obtain any additional information or documents from other government agencies which HFSRB or IDPH deem pertinent to process this application for permit.

Sincerely,

Paul G. Stunkel
CEO
City of Sterling

Subscribed and sworn to me
This 5 day of September, 2019

Andrea Vickers
Notary Public

OFFICIAL SEAL
ANDREA VICKERS
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:04/28/22

Section III, Background, Purpose of the Project, and Alternatives – Information Requirements
Criterion 1110.110(b) – Background, Purpose of the Project, and Alternatives

Purpose of Project

1. The purpose of the project is to improve the mental health of the population served by CGHMC by providing access to inpatient acute mental illness ("AMI") services. These services are essential, primary health care services for residents of Whiteside County.

   Mental Illness on the Rise. According to a U.S. Centers for Disease Control and Prevention study released on June 20, 2019, in 2017, 47,000 people died by suicide, and there were 1.4 million suicide attempts. U.S. suicide rates are at the highest level since World War II. And it's getting worse: The U.S. suicide rate increased on average by about 1% a year from 2000 through 2006 and by 2% a year from 2006 through 2016.[1]

   Mental Illness in Whiteside County. Relatedly, the 2015 Whiteside County Community Health Plan identified mental health admissions as the top category of hospital admission for a disease or injury and the most needed service that the CGHMC patient base is unable to receive in the community.[2] Unfortunately, other than those patients who were treated at the small Katherine Shaw Bethea program in the next county to the east, all other individuals who were able to access an inpatient admission received those services over 90 miles away.

   According to the U.S. Substance Abuse and Mental Health Services Administration ("SAMHSA"), based on 2012 national prevalence rates, nearly one in five (18.6%) or an estimated 8,260 Whiteside County residents 18 years and older were affected by a mental illness diagnosis in fiscal year ending June 30, 2014.[3] According to data from the 2015 Whiteside County Community Health Analysis: psychoses was the leading cause of non-birth related hospitalizations for the fiscal year 2014, accounting for 394 discharges and 3,463 patients days.[4]

   Treatment of Mental Illness in CGHMC Emergency Department and Difficulty Transferring. For fiscal years 2017 to 2019, approximately 900 patients requiring behavioral health crisis evaluations presented annually to CGHMC. Patients determined to be medically stable after initial evaluation and immediate treatment were referred for crisis screening through Sinnissippi Mental Health Center ("Sinnissippi"). Sinnissippi is a vital partner to CGHMC providing outpatient community-based mental health services in Whiteside County.

   Once screened and a placement to an inpatient AMI unit was determined appropriate, Sinnissippi initiated a referral request to accept a CGHMC patient for an inpatient admission at any one of multiple hospitals having an inpatient behavioral health program throughout Northern Illinois. For any single patient, a transfer request is made to 10 to 15 facilities in the hope one facility will accept the patient for admission. Patients have waited at CGHMC for as long as 20 days to receive this transfer acceptance and it is very common to hold a patient for three days while they are awaiting admission to a qualified program. If the transfer is accepted, that patient will be sent to the first facility with an

---

[1] Sally C. Curtin, M.A. & Holly Hedegaard, M.D., Suicide Rates for Females and Males by Race and Ethnicity: United States, 1999 and 2017 *available at* https://www.cdc.gov/nchs/data/hestat/suicide/rates_1999_2017.htm (last visited Sep. 30, 2019).

[2] Whiteside County Health Department, 2015 Whiteside County Community Health Plan 24 (Aug. 20, 2015) *available at* https://www.whitesidehealth.org/ (last visited Sep. 23, 2019).

[3] Id. at 136.

[4] Health Systems Research, Whiteside County Community Analysis: 2015 170 (Jan. 2015) *available at* https://www.whitesidehealth.org/ (last visited Sep. 23, 2019).

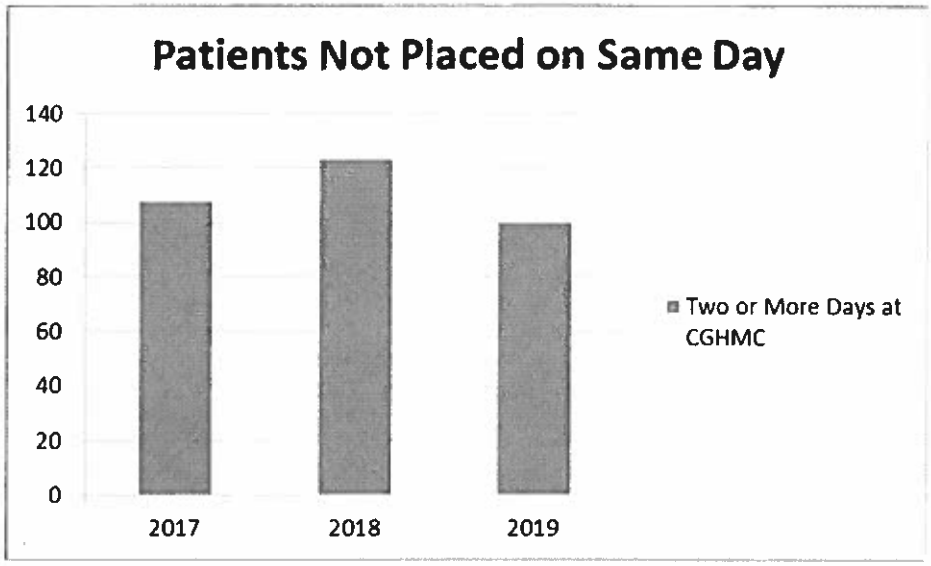
available bed, regardless of the distance or cost of such transport. In 2017 and 2018, 57 percent of patients were transferred to AMI facilities that were more than 90 miles from Sterling.

High Transportation Costs and Limited Availability of Inpatient Programs. Most patients requiring admission for behavioral health services are transferred to a receiving hospital by agencies that have contracts with the Illinois Department of Human Services, Division of Mental Health and these costs are borne by the state. Further, an increasing number of Medicaid or Medicare/Medicaid (dual eligible) beneficiaries are being assigned to Managed Care Organizations (MCOs). Accordingly, transportation from an emergency department evaluation to an inpatient psychiatric admission, is the obligation of the MCOs. The MCO must authorize the transport of a managed enrolled patient prior to the transfer, which can delay the transport. Furthermore, the transport teams are based in Bloomington, Champaign and Peoria. It can take up to 5 hours after the request for transport has been made for the transport teams to transfer the patient to the receiving hospital. In seeking admission to a hospital provider with an active AMI program and open admission policy,[5] CGHMC competes with many other providers and patients as these units are scarce On some occasions the receiving hospital's window limits its willingness to accept a patient transfer to a couple of hours. That is, the receiving hospital advises the CGHMC emergency department staff that it will only keep the bed open for only a short time before it gives the bed to another patient seeking admission. In those instances, despite state or insurance resources possibly being available CGHMC will arrange for EMS to transfer the patient so he or she doesn't lose the admission opportunity. The costs of the EMS transports are usually incurred by CGHMC, as the Department of Healthcare and Family Services ("Medicaid") and the Medicaid MCOs rarely reimburse these EMS trips, and when they do, the reimbursement does not cover the cost of the transports. Transferring patients outside the community not only precludes an area physician and the patient's family from participating in their care plan, but it is more costly to the State of Illinois, which usually covers these transportation costs.

Treatment in the Emergency Department

As shown in the table on the following page, of the patients requiring hospitalization, 30% could not be placed on the same day. Some facilities communicate their acceptance once a day. If the referrals are not timely submitted for a same day transfer, the patients remain in the CGHMC emergency department safe room or other secure area of the hospital until they can be transferred to a distant hospital. While in the CGHMC safe room, the patient must be accompanied by a "sitter" who is always a certified nurse assistant ("CNA") from the floor. As a result, clinical care resources are diverted from other patients in the emergency room and other programs in the hospital to care for the patient with a mental health diagnosis.

[5] Many programs specialize in geriatric care, eating disorders or do not accept Medicaid.



If the patient's stay in the emergency department approaches 24 hours and he/she cannot be placed in an inpatient behavioral health unit, the patient is admitted to CGHMC's safe room in one of its medical units. During these patients' stays, CGHMC completes telepsychiatry consultations to initiate medication management to address acute behavioral health concerns; however, without operating a dedicated unit for the provision of inpatient behavioral health services, CGHMC cannot provide additional therapies to assist the patient in making steps toward a long term recovery.

While the majority of patients are eventually transferred to inpatient AMI units, over the past three years a total of 215 patients were not placed in inpatient AMI programs. These patients were either discharged, admitted medically, or stabilized and referred to outpatient behavioral health service providers. Importantly, some inpatient facilities will not admit patients who routinely present at CGHMC in behavioral health crisis due to their history of non-compliance with their treatment plan. These patients are discharged and referred for additional community support once stabilized. Unfortunately, due to lack of compliance with the prescribed treatment regimen, these patients repeatedly present to CGHMC in an acute crisis, some multiple times within the same month.

Diversion of Emergency Department Staff Resources

Patients who present in the emergency department affect the entire emergency department function. These patients require material human resources. Effective communication in the emergency department in the best of times can be difficult. Communicating with a person presenting with a mental disorder is often very challenging for CGHMC's staff and requires them to slow down and dedicate resources to helping a patient manage an episode of decompensating behavior. This extra attention diverts resources from the general operations of the department but is usually necessary because the Emergency Department patient is having an episode of decompensation. For example, the patient may be preoccupied with other thoughts (either real or imagined), withdrawn or depressed to the point that talking is difficult, experiencing hallucinations or delusions and having trouble concentrating. The CGHMC staff must respectfully listen to these patients with empathy and with focus to have a better understanding of the patient's situation and condition, to avoid misunderstandings, diffuse anger, and to provide more effective and compassionate care. If CGHMC had its own unit, after screening to determine that admission is appropriate, these patients would have the benefit of dedicated staff in the AMI unit and the emergency department resources would be able to remain more focused on patient screening, immediate treatment and intake in ED.

CGHMC AMI Unit will Encourage Continuity of Care in Whiteside County Where the Service is Not Available.

An inpatient AMI unit will allow patients presenting at CGHMC in behavioral crisis to remain in the community for treatment and facilitate family participation. Without an inpatient AMI unit, CGHMC can only attempt to keep patients safe and avoid harm to self and others while waiting for an AMI bed and cannot provide therapy needed for successful outcomes. Further, it would reduce the costs to the State of Illinois, by eliminating or significantly decreasing transportation costs associated with transferring patients to hospitals outside of the community.

Katherine Shaw Bethea Hospital Program is Not an Adequate Option.

Finally, Sinnissippi has a long history of attempting to transfer patients requiring inpatient behavioral health services to the small program in Lee County, the next county over. While over the course of a year, patients are accepted, KSB is not a resource for most of the patients requiring hospitalization due to KSB's staffing limits of 5 or 6 beds at any given time and other program constraints. It is the general understanding of our personnel that this small number of beds is reserved for patients presenting at the emergency department in Dixon.

2. A map of the market area for the proposed AMI unit is defined by HFSRB rule. A map delineating the boundaries is attached at Attachment – 12. The market area encompasses a 21 mile radius around CGHMC. The boundaries of the market area are as follows:

   - North approximately 21 miles to Brookville, Illinois
   - Northwest approximately 21 miles to York, Illinois
   - West approximately 21 miles to Garden Plain township, Illinois
   - Southwest approximately 21 miles to Loraine, Illinois
   - South approximately 21 miles to New Bedford, Illinois
   - Southeast approximately 21 miles to East Grove, Illinois
   - East approximately 21 miles to Franklin Grove, Illinois
   - Northeast approximately 21 miles to Pine Creek, Illinois

   There is only one program operating within these boundaries, KSB, and that program is not routinely accepting transfers from CGHMC, due to its small size, limited psychiatrist oversight and limited staffing and the high mix of uncompensated and Medicaid patients CGHMC needs to transfer based on the difficult payor mix that behavioral health patients generally represent.

3. As previously discussed, there are no inpatient AMI services in Sterling. When patients present to CGHMC in behavioral health crisis, patients determined to be medically stable are referred for crisis screening through Sinnissippi or telepsychiatry. Once screened and a placement to an inpatient AMI unit is determined appropriate, Sinnissippi initiates a referral to inpatient AMI facilities throughout the region. Due to the lack of available AMI beds, 65 percent of patients are transferred to AMI facilities that are more than 50 miles from Sterling. Most patients are transferred to the receiving hospital by agencies that have contracts with the Illinois Department of Human Services, Division of Mental Health to transport individuals who have been assessed to need residential or inpatient care. Transferring patients outside the community not only precludes their primary care physicians and family from participating in their care plan, but it is more costly to the State of Illinois, which covers the cost of these transports.

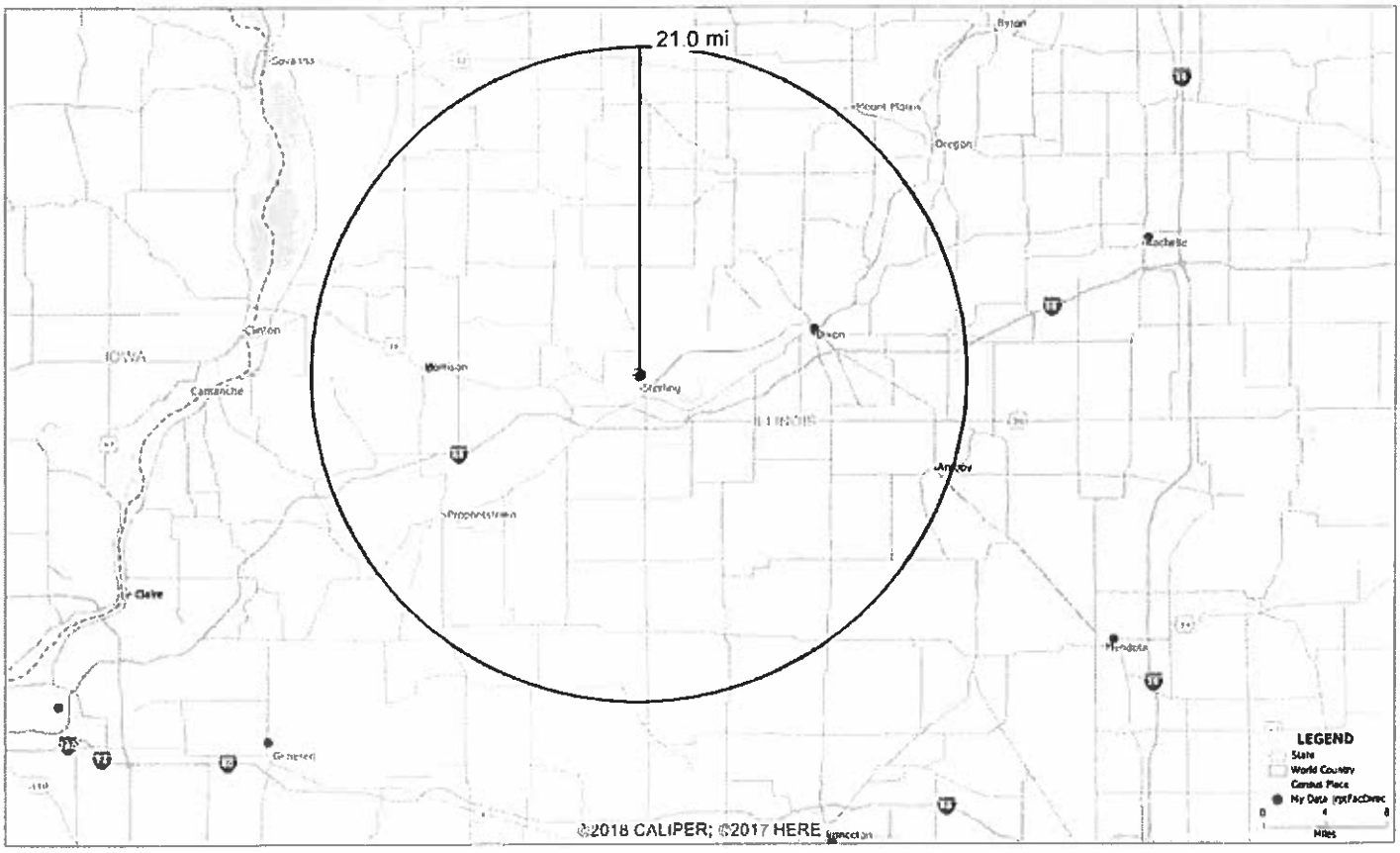
   If a patient cannot be promptly transferred to a facility with inpatient AMI services and the patient's stay in the emergency department approaches 24 hours, CGHMC admits the patient to the safe room in its medical unit. While in the safe room, the patient must be accompanied by a "sitter" who is frequently a CNA from the floor, diverting clinical care resources from other patients in the hospital. While CGHMC completes telepsychiatry consultations to initiate medication management to address acute behavioral health concerns, it cannot provide additional therapies for long term recovery.

Finally, some patients are never placed in an inpatient AMI unit. These patients are either discharged, admitted medically, or stabilized and deflected to community behavioral health services.

4. The purpose of the project is to provide inpatient AMI services to residents of Sterling, Illinois and the surrounding communities. Currently, CGHMC does not operate an inpatient AMI unit, which is problematic for patients who present to the emergency department in need of this service. These patients frequently must remain in the emergency department until they are stabilized and discharged, deflected or transferred to an AMI unit outside the community. As noted above, when patients are transferred outside the community for inpatient AMI services, their primary care physicians cannot follow them, and their families are precluded from participating in the treatment process, but it also increases the costs to State of Illinois, which covers transportation costs.

5. The goal of the proposed addition of inpatient AMI services at CGHMC is to address the needs of the community requiring inpatient AMI services. The success of the addition of the proposed project will be measureable following project completion through reduction and potential elimination of the transfer of patients in behavioral health crisis outside of the community for inpatient AMI services.

CGH Medical Center Geographic Service Area



Attachment – 12

Section III, Background, Purpose of the Project, and Alternatives
Criterion 1110.110(d) – Background, Purpose of the Project, and Alternatives

Alternatives

The Applicant considered two options prior to determining to establish an inpatient AMI unit. The options considered are as follows:

1. Maintain the Status Quo/Do Nothing

2. Establish an Inpatient AMI Unit.

After exploring these options, which are discussed in more detail below, the Applicant determined to establish an inpatient AMI unit. A review of each of the options considered and the reasons they were rejected follows.

1. Maintain the Status Quo/Do Nothing

   According to the Inventory of Health Care Facilities and Services and Need Determinations, there is a need for 1 AMI beds in HSA 1. This is misleading as HSA 1 is a large rural planning area consisting of nine counties stretching west of the Chicago metropolitan area to the Mississippi River, comprising 5,281 square miles. There are 3 hospitals in HSA 1 approved for inpatient AMI services. Two of the hospitals are in Rockford, nearly 50 miles from Sterling. The closest hospital, KSB Hospital, is over 10 miles away. Historically, CGHMC has referred patients to KSB Hospital; however, it cannot accommodate all of the referrals.

   For fiscal years 2017 to 2019, approximately 900 patients requiring behavioral health crisis evaluations presented annually to CGHMC. Patients determined to be medically stable were referred for crisis screening through Sinnissippi. Once screened and a placement to an inpatient AMI unit was determined appropriate, Sinnissippi initiated a referral to inpatient AMI facilities throughout the region. On any given day, a patient transfer request is made to 10 to 15 facilities in the hope one facility has availability to admit the patient. The patient is then transferred to the first facility with an available bed, regardless of the distance. In 2017 and 2018, 57 percent of patients were transferred to AMI facilities that were more than 50 miles from Sterling. This precludes the patients' primary care physicians from following the patients, and the patients' families from participating in the treatment process, which is critical to success.

   Of the patients requiring hospitalization, 30% could not be placed on the same day. If a patient's stay in the emergency department approached 24 hours and he/she could not be placed in an inpatient AMI unit, the patient was admitted to CGHMC's safe room in its medical unit. During the patients' stay, CGHMC completed telepsychiatry consultations to initiate medication management to address acute behavioral health concerns; however, CGHMC could not provide additional therapies for long term recovery.

   While the majority of patients were eventually transferred to inpatient AMI units, over the past three years 215 patients were not placed in inpatient AMI programs. These patients were either discharged, admitted medically, or stabilized and deflected to community behavioral health services. Importantly, some inpatient facilities will not admit patients who routinely present at CGHMC in behavioral health crisis due to their history of non-compliance with their treatment plan. These patients are discharged or deflected once stabilized. Unfortunately, due to lack of compliance, these patients repeatedly present to CGHMC in crisis, some multiple times within the same month.

An inpatient AMI unit will allow patients presenting at CGHMC in behavioral crisis to remain in the community for treatment and facilitate family participation. Without an inpatient AMI unit, CGHMC can only attempt to keep patients safe and avoid harm to self and others while waiting for an AMI bed. Accordingly, this alternative was rejected.

There is no capital cost to this alternative.

2. Establish an Inpatient AMI Unit

KSB Hospital is the only hospital within the CGHMC GSA authorized to provide inpatient AMI services. After a patient presenting to CGHMC in behavioral health crisis is screened and a determination that placement in an inpatient AMI unit is appropriate, a patient may be referred to 10 to 15 facilities in the hope one facility has availability to admit the patient. While KSB Hospital has been able to accommodate a significant number of patients from CGHMC, it cannot admit all referred patients. In 2017 and 2018, 57 percent of patients were transferred to AMI facilities that were more than 50 miles from Sterling, and some were admitted to facilities over 100 miles away. This precludes the patients' primary care physicians from following the patients, and the patients' families from participating in the treatment process, which is critical to success.

An inpatient AMI unit will allow CGHMC to promptly admit and begin treatment of those patients requiring inpatient AMI services rather than keeping them safe and avoiding harm to self and others. Further, by keeping patients in their community, their primary care physicians' can round on them at the hospital to ensure continuity of care, and the patients' families can participate in treatment.

The cost of this alternative is **$3,374,270**.

Section IV, Project Scope, Utilization, and Unfinished/Shell Space
Criterion 1110.120(a), Size of the Project

The Applicants propose to establish a 10 bed acute mental illness unit at CGHMC. Pursuant to Section 1110, Appendix B of the HFSRB's rules, the State standard is 440 – 560 gross square feet per bed for a total of 4,400 – 5,600 gross square feet for 10 acute mental illness beds. The total gross square footage of the clinical space of the proposed acute mental illness unit is 5,595 of gross square feet (or 559.5 GSF per bed). Accordingly, the proposed clinic meets the State standard per station.

SIZE OF PROJECT				
DEPARTMENT/SERVICE	**PROPOSED BGSF/DGSF**	**STATE STANDARD**	**DIFFERENCE**	**MET STANDARD?**
Acute Mental Illness	5,595	4,400 – 5,600	N/A	Meets State Standard

Section IV, Project Scope, Utilization, and Unfinished/Shell Space
Criterion 1110.120(b), Project Services Utilization

By the second year of operation, annual utilization at the proposed AMI unit shall exceed HFSRB's utilization standard of 85%. The statewide average length of stay for acute mental illness 6.9 days; however, CGHMC conservatively projects average length of stay will be closer to 6 days. CGHMC estimates it will admit 50% of the 1,118 patients originating in its catchment area or 559 patients annually within 12 to 24 months following project completion.

Table 1110.120(b)
Utilization

	Dept./ Service	Historical Utilization (Patient Days)	Projected Utilization	State Standard	Met Standard?
Year 2	AMI	N/A	3,354	3,103	Yes

Section IV, Project Scope, Utilization, and Unfinished/Shell Space
Criterion 1110.120(d), Unfinished or Shell Space

This project will not include unfinished space designed to meet an anticipated future demand for service. Accordingly, this criterion is not applicable.

Section IV, Project Scope, Utilization, and Unfinished/Shell Space
Criterion 1110.120(e), Assurances

This project will not include unfinished space designed to meet an anticipated future demand for service. Accordingly, this criterion is not applicable.

Section VII, Service Specific Review Criteria
Acute Mental Illness and Chronic Mental Illness
Criterion 1110.210, Acute Mental Illness and Chronic Mental Illness – Review Criteria

1. Planning Area Need

According to the Inventory of Health Care Facilities and Services and Need Determinations, there is a need for 1 AMI bed in HSA 1. This need is understated. This is due in part to people receiving care for mental illness in the emergency department due to lack of available services, foregoing care altogether and due to significant outmigration of these patients for care. HSA 1 is a large planning area consisting of nine counties stretching west of the Chicago metropolitan area to the Mississippi River, comprising 5,281 square miles. The majority of the services available are in Rockford which is over an hour away, approximately 68 miles. One hospital program, KSB Hospital, is in another county and does not readily and consistently accept the patients who require admission for AMI services. As a general matter, it only admits 5 or 6 patients at any given time due to its program's primary purpose of serving its own patients and due to staffing limits KSB has imposed on its unit. This lack of access to care is creating a misimpression that the services are not needed in a material way.

In fact, however, mental and substance use disorders are major contributors to the global burden of disease, involving substantial social and economic costs. In the U.S., an estimated 51.2 million adults aged 18 years or older (22.5 percent of adults) have experienced one or more mental health disorders in the past 12 months. Further, an estimated 8.4 million U.S. adults suffer from co-occurring mental health disorders—that is, they are affected by mental disorders such as clinical depression or panic disorder, as well as by a substance use disorder such as alcohol abuse or illicit drug dependence. Although many mental health disorders can be treated successfully in ambulatory care settings, inpatient treatment continues to be a key component of behavioral health care.[6]

Due to the program inaccessibility in Whiteside County and surrounding areas, the majority of patients in the communities CGHMC serves bypass KSB for inpatient admission for behavioral health services. Historically, KSB occasionally accepts CGHMC referrals for this service but that is not the norm. KSB Hospital does not readily nor promptly accept the CGHMC behavioral health referrals. Further, the 2015 Whiteside County Community Health Plan identified mental health services as the top most needed inpatient service that community members are unable to receive.[7] Based on 2012 national prevalence rates from SAMHSA, nearly one in five (18.6%) or an estimated 8,260 Whiteside County residents 18 years and older were affected by a mental illness in fiscal year ending June 30, 2014.[8] Further, data from the Whiteside County Community Analysis: 2015, shows psychoses was the leading cause of non-birth related hospitalizations for the fiscal year 2014, accounting for 394 discharges and 3,463 patients days.[9]

For fiscal years 2017 to 2019, approximately 900 patients requiring behavioral health crisis evaluations presented annually to CGHMC. The CGHMC partner in behavioral health care, Sinnissippi, supports these patients by screening them and assisting CGHMC in providing placement to an inpatient AMI unit when determined appropriate. In connection with this support, Sinnissippi

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[6] Kevin C. Heslin Ph.D. et al., *Hospitalizations Involving Mental and Substance Disorders Among Adults, 2012*, Healthcare Cost and Utilization Report (Jun. 2015) *available at* https://www.hcup-us.ahrq.gov/reports/statbriefs/sb191-Hospitalization-Mental-Substance-Use-Disorders-2012.pdf (last visited Sep. 30, 2019)

[7] Whiteside County Health Department, 2015 Whiteside County Community Health Plan 24 (Aug. 20, 2015) *available at* https://www.whitesidehealth.org/ (last visited Sep. 23, 2019).

[8] Id. at 136.

[9] Health Systems Research, Whiteside County Community Analysis: 2015 170 (Jan. 2015) *available at* https://www.whitesidehealth.org/ (last visited Sep. 23, 2019).

initiates an admission request to inpatient AMI facilities throughout Northern Illinois. On any given day, a patient transfer request is made to 10 to 15 facilities in the hope one facility has availability to admit the patient. Because it takes so long to get an admission accepted, once an available bed is identified, the patient is transferred to the first accepting facility, regardless of the distance. In 2017 and 2018, 57 percent of patients were transferred to AMI facilities that were more than 50 miles from Sterling. Most patients are transferred to the receiving hospital by agencies that have contracts with the Illinois Department of Human Services, Division of Mental Health. Further, an increasing number of Medicaid or Medicare/Medicaid eligible beneficiaries are being assigned to Managed Care Organizations (MCOs). Accordingly, transportation from an emergency department evaluation to an inpatient psychiatric admission, is the obligation of the MCOs. The MCO must authorize the transport of a managed enrolled patient prior to the transfer, which can delay the transport. Furthermore, the transport teams are based in Bloomington, Champaign and Peoria. It can take up to 5 hours after the request for transport has been made for the transport teams to transfer the patient to the receiving hospital. On those occasions when the receiving hospital's window to accept the patient transfer is only a couple of hours, CGHMC will arrange for EMS to transfer the patient. The costs of the EMS transports are usually incurred by CGHMC, as Medicaid and the Medicaid MCOs rarely reimburse these EMS trips, and when they do, the reimbursement does not cover the cost of the transports. Transferring patients outside the community not only precludes their care team and family from participating in their care plan, but it is more costly to the State of Illinois, which covers many of these transportation costs.

Patients that cannot be promptly transferred to an inpatient program must remain in the emergency department safe room. If the patient's stay in the emergency department approaches 24 hours, CGHMC admits the patient to the safe room in its medical unit. During the patients' stay, CGHMC completes psychiatry consultations to initiate medication management to address acute behavioral health concerns; however, CGHMC cannot provide additional therapies for long term recovery. Finally, some patients recommended for inpatient psychiatric treatment are never placed and are discharged, admitted medically, or achieve stability and assisted with further support by the community-based provider.

There is a significant need for inpatient AMI services in Sterling, so patients in behavioral health crisis can remain in their community for treatment thereby improving their chances for long-term management of their illness and a more stable life.

2. Service to Planning Area Residents

According to the 2015 Whiteside County Community Health Plan, mental health issues affect a large portion of the community, as 35% of respondents reported they or a household member have been diagnosed with anxiety, 29.59% diagnosed with depression, and 11.69% diagnosed with bipolar disorder. Further, 28.88% of respondents reported multiple diagnoses. Despite the significant prevalence of the mental health issues in the community, mental health services was identified as one of the top needed services that community members were unable to receive.[10] Based on 2012 national prevalence rates from the SAMHSA, nearly one in five (18.6%) or an estimated 8,260 Whiteside County residents 18 years and older were affected by a mental illness in fiscal year ending June 30, 2014.[11] Data from the Whiteside County Community Analysis: 2015, shows psychoses was the leading cause of non-birth related hospitalizations for the fiscal year 2014, accounting for 394 discharges and 3,463 patients days.

As discussed throughout this application, once a patient is screened and placement to an inpatient AMI unit is determined appropriate, a patient may be referred to 10 to 15 facilities in the hope one

[10] Whiteside County Health Department, 2015 Whiteside County Community Health Plan 24 (Aug. 20, 2015) *available at* https://www.whitesidehealth.org/ (last visited Sep. 23, 2019).

[11] Id. at 136.

facility has availability to admit the patient. Due to the lack of available AMI beds in the planning area, many patients are transferred to hospitals outside the community, some up to 100 miles away. The proposed behavioral health unit will address the need for inpatient AMI beds.

3. Service Demand

Attached at Appendix – 1 is the CGHMC referral letter. A summary of the referrals to other facilities for the latest calendar year is provided in Table 1110.210(b)(3).

Table 1110.210(b)(3)
Historical Referrals by Hospital

Hospital	2018	Projected Referrals to CGHMC after Project Completion	Travel Distance (Miles)
Adventist Bolingbrook Hospital	3	3	84
Adventist GlenOaks	27	27	85
Adventist Hinsdale Hospital	2	2	92
Advocate Bromenn Medical Center	3	3	97
Advocate Christ Medical Center	1	1	102
Advocate Good Samaritan Hospital	5	5	87
Alexian Brothers Behavioral Health Hospital	32	32	82
Alexian Brothers Medical Center	1	1	88
Aurora Chicago Lakeshore Hospital	14	14	106
Blessing Hospital	1	1	201
Central DuPage Hospital	4	4	80
CGH Medical Center	6	6	0
Chicago Behavioral Hospital	51	51	95
Delnor Community Hospital	1	1	70
FHN Memorial Hospital	4	4	34
Galesburg Cottage Hospital	1	1	68
Gateway Regional Medical Center	1	1	249
HSHS St. John's Hospital	2	2	159
Illinois Valley Community Hospital	1	1	44
Ingalls Memorial Hospital	1	1	106
Katherine Shaw Bethea Hospital	429	41	12
Kindred Chicago North	20	20	102
Lincoln Prairie Behavioral Health Center	8	8	165
Linden Oaks Hospital	10	10	99
Loretto Hospital	12	12	100
MacNeal Hospital	22	22	98
Marionjoy Rehabilitation Hospital	1	1	82

Table 1110.210(b)(3) Historical Referrals by Hospital			
Hospital	**2018**	**Projected Referrals to CGHMC after Project Completion**	**Travel Distance (Miles)**
McDonough District Hospital	3	3	106
Memorial Medical Center Springfield	1	1	158
MercyHealth Hospital	16	16	47
Mercy Hospital & Medical Center	2	2	107
Methodist Hospital of Chicago	1	1	105
MetroSouth Medical Center	3	3	105
Midwest Medical Center	4	4	59
Mount Sinai Medical Center	1	1	103
NorthShore University Health System Evanston	1	1	105
Northwest Community Hospital	3	3	90
Northwestern Memorial Hospital	3	3	107
Norwegian American Hospital	8	8	103
OSF Saint Anthony Medical Center	7	7	48
OSF Saint Elizabeth Medical Center	71	71	55
OSF Saint Francis Medical Center	5	5	76
Palos Community Hospital	1	1	98
Perry Memorial Hospital	2	2	32
Presence Mercy Medical Center	4	4	71
Presence Saint Elizabeth Hospital	5	5	104
Presence Saint Joseph Hospital - Chicago	1	1	107
Presence Saint Joseph Hospital - Elgin	3	3	72
Presence Saint Joseph Medical Center – Joliet	2	2	83
Riveredge Hospital	32	32	97
Riverside Medical Center	10	10	105
Rush University Medical Center	5	5	105
Sarah Bush Lincoln Health Center	1	1	225
Silver Cross Hospital	2	2	90
St. Margaret's Health	2	2	42
Streamwood Behavioral Healthcare System	107	2	81
Swedish American Hospital	12	12	45
The Methodist Medical Center of Illinois	67	21	76
The Pavilion Foundation	8	8	178
Thorek Memorial Hospital	1	1	106
UHS Hartgrove Hospital	28	8	100

Table 1110.210(b)(3) Historical Referrals by Hospital			
Hospital	**2018**	**Projected Referrals to CGHMC after Project Completion**	**Travel Distance (Miles)**
Unity Point – Proctor	9	9	72
Unity Point – Trinity – Moline	1	1	49
Unity Point – Trinity – Rock Island	15	15	50
University of Illinois Chicago	1	1	105
Weiss Memorial Hospital	1	1	106
Westlake Hospital	5	5	96
Woodstock Hospital	1	1	81
Total	**1,118**	**559**	

4. Service Accessibility

The addition of inpatient AMI services at CGHMC will improve access to behavioral health services to patients in Sterling and the surrounding communities that CGHMC serves. There are only 3 hospitals in HSA 1 approved for inpatient AMI services. Two of the hospitals are in Rockford, more than 50 miles from Sterling. The closest hospital, KSB Hospital, is over 10 miles away in the next county and this program is dedicated primarily to its own patients screened through its ED. Historically, CGHMC has referred patients to KSB Hospital; however, it cannot accommodate all of the referrals. Once screened and a placement to an inpatient AMI unit is determined appropriate, referrals to inpatient AMI facilities throughout the region are initiated. On any given day, a patient may be referred to 10 to 15 facilities in the hope one facility has availability to admit the patient. Due to the lack of available AMI beds, many patients are transferred to hospitals outside the community, some up to 100 miles away. As a result, their primary care physicians cannot follow them, and their families frequently cannot participate in the treatment process, which is vital to a successful outcome.

Patients that cannot be promptly placed must remain in the emergency department safe room. If the patient's stay in the emergency department approaches 24 hours, CGHMC admits the patient to the safe room in its medical unit. During the patients' stay, CGHMC completes telepsychiatry consultations to initiate medication management to address acute behavioral health concerns; however, CGHMC cannot provide additional therapies for long term recovery. Finally, some patients recommended for inpatient psychiatric treatment are never placed and are discharged, admitted medically, or achieve stability and deflected.

Accordingly, there is a need for inpatient AMI services in Sterling, so patients in behavioral health crisis can remain in their community for treatment.

Section VII, Service Specific Review Criteria
Acute Mental Illness and Chronic Mental Illness
Criterion 1110.210(c), Unnecessary Duplication/Maldistribution

1. Unnecessary Duplication of Services

a. CGHMC is located at 100 East LeFevre Road, Sterling, Illinois 61081. A map of CGHMC's geographic service area is attached at Attachment – 20A. A list of all zip codes located, in total or in part, within 21 miles of CGHMC as well as 2017 population estimates for each zip code is provided in Table 1110.210(c)(1)(A).

Table 1110.210(c)(1)(A)
Population of Zip Codes within a 21 mile radius of CGH Medical Center

Zip Code	City	Population
61277	Prophetstown	3,076
61251	Fenton	341
61270	Morrison	7,136
61346	New Bedford	72
61283	Tampico	1,691
61376	Walnut	2,291
61243	Deer Grove	234
61261	Lyndon	853
61037	Galt	107
61071	Rock Falls	14,190
61051	Milledgeville	1,617
61042	Harmon	567
61081	Sterling	21,461
61021	Dixon	22,836
61091	Woosung	61
61324	Eldena	98
61310	Amboy	3,825
61031	Franklin Grove	1,644
61057	Nachusa	135
61061	Oregon	6,464
61285	Thomson	1,452
61014	Chadwick	1,325
61064	Polo	3,477
61030	Forreston	2,354
Total		**97,307**

Source: U.S. Census Bureau, 2017 American Community Survey, American Factfinder *available at* https://factfinder.census.gov/faces/ nav/jsf/pages/community_facts.xhtml (last visited Aug. 29, 2019).

b. The only existing or approved health care facility located within a 21 mile radius of CGHMC that provides acute mental illness services is Katherine Shaw Bethea Hospital, 403 East First Street, Dixon, Illinois.

2. Maldistribution of Services

The additional acute mental illness services at CGHMC will not result in a maldistribution of services. To the contrary, it will have a positive impact in alleviating a maldistribution signaling a lack of access to mental health services in the area of CGHMC.[12] Calculating this ratio better explains why it is that patients are required to travel to distant facilities to receive care.

a. Ratio of Beds to Population

As shown in Table 1110.210(d)(2)(A), the ratio of beds to population is 43% of the State Average.

Table 1110.1430(d)(2)(A)
Ratio of Beds to Population

	Population	Beds	Beds to Population	Standard Met
CGH Medical Center GSA	97,307	14	1:6,951	Yes
Illinois	12,851,684	4,298	1:2,990	

b. Historic Utilization of Existing Facilities

CGHMC historically refers patients to KSB Hospital when KSB will accept those patients. KSB Hospital, however, does not consistently accept the CGHMC referrals and cannot accommodate them in many cases. Once screened and a placement to an inpatient AMI unit is determined appropriate, referrals to inpatient AMI facilities throughout the region are initiated. On any given day, a patient may be referred to 10 to 15 facilities in the hope one facility has availability to admit the patient. Due to the lack of available AMI beds, many patients are transferred to hospitals outside the community, some up to 100 miles away. As a result, their primary care physicians cannot follow them, and their families frequently cannot participate in the treatment process, which is vital to a successful outcome.

c. Sufficient Population to Achieve Target Utilization

CGHMC estimates it will admit 50% of the 1,118 patients originating in its catchment area or 559 patients. Assuming an average length of stay of 6 patient days,[13] the total AMI patients would be 3,354 patient days for utilization of 91%.

[12] A maldistribution exists when an identified area has an excess supply of facilities, beds, and services characterized by such factors as, but not limited to: (1) ratio of beds to population exceeds one and one-half times the State Average; (2) historical utilization for existing facilities and services is below the HFSRB's utilization standard; or (3) insufficient population to provide the volume or caseload necessary to utilize the services proposed by the project at or above utilization standards.

[13] See Illinois Health Facilities and Services Review Board, 2017 AHQ Data – State Summary (2018), adult AMI average length of stay 6.9 patient days.

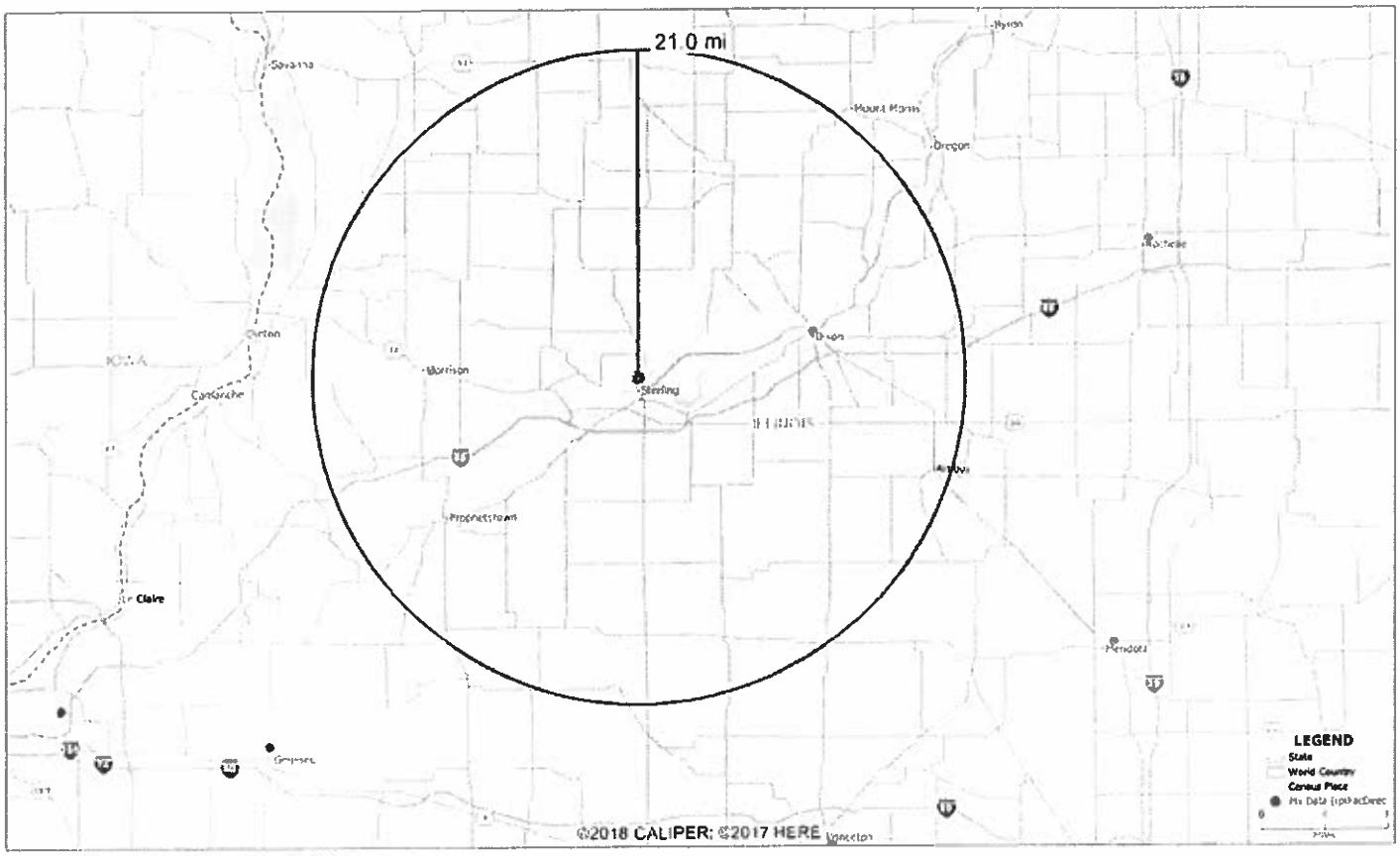
3. Impact to Other Providers

a. The proposed AMI unit will not have an adverse impact on existing hospitals within the CGHMC GSA. There is one hospital within the CGHMC authorized to provide inpatient AMI services. As discussed throughout this application, CGHMC historically refers patients to KSB Hospital; however, it cannot accommodate all of the referrals. Once screened and a placement to an inpatient AMI unit is determined appropriate, referrals to inpatient AMI facilities throughout the region are initiated. On any given day, a patient may be referred to 10 to 15 facilities in the hope one facility has availability to admit the patient. Due to the lack of available AMI beds, many patients are transferred to hospitals outside the community, some more than 100 miles away. Further, some patients recommended for inpatient psychiatric treatment are never placed due to no hospital accepting them and are discharged, admitted medically, or achieve stability before placement. Accordingly, the proposed AMI unit will address the need for inpatient behavioral health services in Sterling and surrounding areas, so patients in behavioral health crisis will have access to needed inpatient AMI services in their immediate community.

b. The proposed AMI unit will not materially affect the utilization of other area hospitals currently operating below HFSRB standards. KSB Hospital is the only hospital in the CGHMC GSA authorized to provide inpatient AMI services and it is primarily concerned with stabilizing and treating the behavioral health patients presenting in its own emergency department.

c. Attached at Attachment – 20B are letters of support from State Representative Tony McCombie, Whiteside County Health Department, Sinnissippi Centers, and Swedish American Hospital.

CGH Medical Center Geographic Service Area



Attachment – 20A

District Office:
9317B IL Rte 84
Savanna, IL 61074
Phone: 815-632-7384
Fax: 815-280-0731

Springfield Office:
205A-N Stratton Office Building
Springfield, IL 62706
Phone: 217-782-3992
Fax: 815-280-0731

Tony McCombie
State Representative • 71st District

September 17, 2019

To whom it may concern,

One of my priorities as Representative to the 71st district is to actively engage constituents to work together to solve challenges in our communities. One need regularly vocalized throughout my district is the provision of mental health services in rural communities where social determinants negatively impact access and ongoing recovery.

I believe it is my duty and responsibility to represent every constituent in my district whether ensuring access to mental health services, reducing the risk healthcare violence or providing pathways for recovery. This letter of support of CGH Medical Center's application for an inpatient behavioral health unit is my way to demonstrate that commitment.

Traveling outside of our community for inpatient behavioral health services does not meet the needs of our communities and only heightens awareness of the social disparities evident in our State. Rather than simply ignoring this need, CGH Medical Center is following their vision of meeting the ongoing healthcare needs of our community by creating paths to better health. Thank you for considering their application.

Respectfully,

Tony M. McCombie

Representative Tony McCombie

WHITESIDE COUNTY HEALTH DEPARTMENT

MAIN OFFICE: 18929 LINCOLN ROAD
MORRISON, IL 61270-9500
PHONE: 815/772-7411
FAX: 815/772-4723
***
BRANCH OFFICE: 1300 W. 2ND ST.
ROCK FALLS, IL 61071-1005
PHONE: 815/626-2230
FAX: 815/626-2231

September 17, 2019

To whom it may concern,

Whiteside County Community Health Clinic (WCCHC) is a FTCA deemed facility. Our mission is to provide primary and preventative medical, dental, behavioral health and substance abuse services in Whiteside and surrounding Counties. WCCHC not only has 11 licensed therapists, but a MAT (Medical Treatment Program) for substance abuse treatment of alcohol and opioid use. We are an active partner with CGH Medical Center on multiple projects to improve the overall health of the community. One specific area of effort is the ongoing treatment and recovery of individuals with substance abuse and behavioral health disorders.

It is with our partnerships in mind, that I am providing a letter of support of CGH Medical Center's application for an inpatient behavioral health unit. In our most recent community needs assessment, depression and anxiety were identified as the number one health concern in our county. One of the primary strategies to address this health concern is to increase access to services for those with behavioral health needs. As an organization dedicated to serving the needs of the community, CGH has taken the lead to address this disparity by requesting an inpatient behavioral health unit.

WCHD shares this concern and believes the addition of a behavioral health unit will appropriately address the challenges of access for acute mental health services.

Respectfully,

Beth Fiorini

Beth Fiorini, RN, BA, MS
Public Health Administrator & Chief Execute Officer
Whiteside County Health Department/Whiteside County Community Health Clinic

SINNISSIPPI CENTERS

Providing care, offering hope to individuals and families.

Sinnissippi Centers receives state funding and is licensed by the Illinois Department of Mental Health and DASA. It is governed by a 21-member volunteer board.
Sinnissippi Centers is accredited by The Joint Commission and is a member of the Illinois Council of Behavioral Health Providers.

September 18, 2019

To whom it may concern,

As the primary provider of outpatient behavioral healthcare in northwest Illinois, Sinnissippi Centers' mission is to provide quality, coordinated, and responsive behavioral healthcare services to individuals, families, and the communities we serve.

It is with this mission in mind, that I am providing this letter in support of CGH Medical Center's application for an inpatient behavioral health unit. As an organization dedicated to serving the needs of the community, CGH has identified a noticeable disparity in the availability of access to inpatient behavioral health services. Sinnissippi shares this concern and believes the addition of a behavioral health unit at CGH will close that gap.

Sinnissippi currently provides Crisis Intervention services and inpatient placement for CGH. Our team is challenged daily with finding inpatient bed placement for patients presenting to CGH for behavioral health services. We know firsthand the number of patients who are referred away from our community. In many cases, these patients are placed one to two hours away. This impacts continuity of care and our ability to effectively follow up with outpatient care. This can result in bounce back of individuals into the emergency department with acute behavioral health needs.

As an independent organization serving both CGH Medical Center and KSB Hospital, we do not believe the addition of behavioral health beds to this area will duplicate services provided at KSB Hospital. The addition of beds will serve to augment further access.

Sinnissippi respectfully requests the Board to approve this application so we can effectively and successfully provide behavioral health services to our community on a local level.

Respectfully,

Patrick Phelan
President, Chief Executive Officer

SWEDISHAMERICAN
A DIVISION OF UW HEALTH

Michael J. Born, MD, MBA, CPE
President And Chief Executive Officer

September 17, 2019

To whom it may concern,

As the President and CEO of SwedishAmerican, a Division of UW Health, I am acutely aware of the access challenges facing our Northwest Illinois region in relation to inpatient behavioral health services. In response to those needs, SwedishAmerican received approval for an additional ten beds in 2018. These additional beds are in place to meet the needs of our primary services area and to meet the growing needs of our immediate community.

It has come to our attention that CGH Medical Center is seeking approval of a ten-bed behavioral health unit. SwedishAmerican is approximately one hour away from CGH Medical Center and does not currently serve as a primary referral center for inpatient behavioral health services. The additional beds requested by CGH Medical Center will not negatively impact nor duplicate the behavioral health services currently provided by SwedishAmerican Hospital. It will, however, positively impact the overall access to inpatient behavioral health services for our region.

Please consider this a letter of support for the approval of the request from CGH Medical Center to open a ten-bed behavioral health unit.

Respectfully,

Michael J. Born, MD, MBA, FACHE, CPE
President & CEO
SwedishAmerican/A Division of UW Health

Section VII, Service Specific Review Criteria
Acute Mental Illness and Chronic Mental Illness
Criterion 1110.210(e), Staffing

The proposed AMI unit will be staffed in accordance with all State and Medicare staffing requirements.

Section VII, Service Specific Review Criteria
Acute Mental Illness and Chronic Mental Illness
Criterion 1110.210(f), Bed Capacity Minimum

The proposed AMI unit will be located in the Sterling, IL Micropolitan Statistical Area. The minimum unit size for a new AMI unit outside metropolitan statistical area is 10 beds. The Applicants propose to establish a 10 bed AMI unit. Accordingly, this criterion is met.

Section VII, Service Specific Review Criteria
Acute Mental Illness and Chronic Mental Illness
Criterion 1110.210(g), Assurances

Attached at Attachment – 20C is a letter from Paul G. Steinke, D.O., Chief Executive Officer of CGHMC certifying that the proposed AMI unit will achieve and maintain target utilization by the second year of operation.

Richard Sewell
Vice Chair
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: Assurances

Dear Vice Chair Sewell:

Pursuant to 77 Ill. Admin. Code § 1110.210(g), I hereby certify by the second year after operation and project completion, CGH Medical Center's acute mental illness unit expects to achieve and maintain 85% target utilization.

Sincerely,

Paul H. Stenke
CEO
City of Sterling

Subscribed and sworn to me
This 5 day of September, 2019

OFFICIAL SEAL
ANDREA VICKERS
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:04/28/22

Andrea Vickers
Notary Public

Section VIII, Financial Feasibility
Criterion 1120.120 Availability of Funds

The project will be funded entirely with cash. Copies of City of Sterling's audited financial statements for the most recent three years evidencing sufficient internal resources to fund the project are available are attached at Attachments – 33A – 33C.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS

COMBINED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEARS ENDED APRIL 30, 2019 AND 2018

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
TABLE OF CONTENTS
YEARS ENDED APRIL 30, 2019 AND 2018

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
CGH Medical Center
Sterling, Illinois

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of CGH Medical Center, a component unit of the City of Sterling, Illinois, which comprise the combined statements of net position as of April 30, 2019 and 2018, and the related combined statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

Board of Directors
CGH Medical Center

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of CGH Medical Center as of April 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.

Other Matters

Change in Accounting Principle

During fiscal year ended April 30, 2019, the Medical Center adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* As a result of the implementation of these standards the Medical Center reported a restatement for the change in accounting principle (See Note 15). Our auditors' opinion was not modified with respect to the restatement.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 16. The schedule of changes in net pension liability and related ratios on page 51, the schedule of employer contributions on page 52, and the schedule of net OPEB liability and related ratios on page 54 be presented to supplement the combined financial statements. Such information, although not a part of the combined financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the combined 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 combined financial statements, and other knowledge we obtained during our audit of the combined financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on CGH Medical Center's combined financial statements. The accompanying supplementary information on pages 55 through 60 is presented for purposes of additional analysis and is not a required part of the combined financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Board of Directors
CGH Medical Center

The other information on page 61 has not been subjected to the auditing procedures applied in the audit of the combined financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

St. Louis, Missouri
July 24, 2019

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2019 AND 2018

Introduction

The following discussion and analysis provides an overview of the financial position and activities of CGH Medical Center (CGH or the Medical Center) for the fiscal years ended April 30, 2019 and 2018. This discussion has been prepared by management and should be read in conjunction with the combined financial statements and the notes thereto, which follow this section.

CGH Medical Center is a progressive acute care facility located in the Rock River Valley region of Northern Illinois. Since opening in 1909, the Medical Center has earned a strong reputation throughout the region and consistently receives high ratings for delivering quality care to our community, positive public awareness and high patient and employee satisfaction. CGH Medical Center is committed to meeting expanding patient needs and to providing leadership in the field of healthcare. This includes broad scale public education and free to low cost early detection activities. The Medical Center employs approximately 1,500 people and the medical staff consists of 140 physicians specializing in 35 areas of medicine.

Inpatient services include a 29-bed medical unit, a 21-bed surgical unit, 10 birthing center suites, 6 pediatric beds, 2 nursery level II beds, and 18 CCU/Telemetry beds. Outpatient services include two state-of-the-art Cath Labs and a CAP accredited laboratory. Diagnostic imaging services include a PET Scanner, 64 ring CT scanner, nuclear medicine, ultrasound, digital mammography, and an in-house high field MRI. In addition, CGH offers an ambulatory surgical center, a digestive disease center, a pain management clinic, physical and occupational therapy, a diabetic education department, a wound care center, pre-hospital paramedic level EMS, and a 24-hour trauma ready emergency department (ED). The ED features 26 private treatment rooms, 6 easy care areas, 2 new trauma rooms, secured access, and streamlined registration. CGH also offers its own day care center adjacent to the campus.

CGH Medical Center has ambulatory clinics in ten communities in Northwest Illinois including Sterling, Rock Falls, Morrison, Tampico, Prophetstown, Walnut, Polo, Milledgeville, Dixon, Mount Carroll, and a Ready Care Clinic in Sterling.

Operational Highlights

CGH Medical Center is a nonprofit, city-owned hospital located in Sterling that serves a five-county region in Northwestern Illinois. The Medical Center enjoys a 63% market share in its primary service area. Licensed for 99 beds, the Medical Center has provided the following services to patients over the past two fiscal years:

	Fiscal Year 2019	Fiscal Year 2018	Percent Change
Inpatient Admissions	4,507	4,657	(3.2)%
Patient Days	14,045	14,016	0.2
Emergency Room Visits	27,490	27,825	(1.2)
Surgical Cases	4,308	4,402	(2.1)
Cardiac Cath Lab Procedures	1,273	1,376	(7.5)
Babies Delivered	563	575	(2.1)
Physician Office Visits	237,128	235,462	0.7

Attachment – 33A

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2019 AND 2018

Operational Highlights (Continued)

CGH Medical Center continues to strive to improve the overall health of the communities we serve. In conjunction with the roll out of the Affordable Care Act (ACA) and Value Based Purchasing programs implemented by the Centers for Medicare and Medicaid Services (CMS), CGH has put in place numerous community health and wellness programs. These programs include the Community Health Network (CHN). One of the many tasks of CHN is to assist patients outside of the hospital and clinics to manage their chronic conditions. The nurses or health coaches who are part of the CHN assist patients with education, medication assistance programs, or dietary needs to better manage their diseases.

During the past few years, CGH has made several significant improvements to its facilities including the construction of a new state of the art ambulatory clinic in Rock Falls, the addition of a hybrid surgical suite with advanced technology for vascular procedures, the remodeling of our surgical floor, and renovations to our Ready Care and Primary care clinic located in downtown Sterling. In addition, CGH continues to increase access for patients who need physical therapy services including the addition of offices in our Dixon and Morrison Clinic locations as well as adding additional space for Pediatric Rehabilitation in Sterling. In 2019 CGH added equipment to provide cardiology services for electrophysiology (EP) studies that are performed within the existing Cath Lab suites of the Hospital.

Currently CGH is working on numerous construction projections including the relocation of the inpatient and outpatient pharmacies located within the Hospital. Future construction projects include renovations or additions for outpatient physician services such as neurology, orthopedics, pediatrics and family practice.

Over the past few years, CGH has partnered with other health centers and providers to add teleservices for Behavioral Health and Stroke. These additions will assist our physicians to deliver the highest and most timely level of care possible. CGH also has an Electronic Intensive Care Unit (EICU) to ensure critically ill patients have access to board Certified Intensivists 24 hours a day.

CGH Medical Center remains committed to using the latest technology to improve patient safety and outcomes. CGH is committed to implementing continuous changes within its EHR systems to meet the next stages of Meaningful Use and assist our physicians and staff in their mission to deliver high quality care. These changes include improvements to the patient's access to information through the patient portal and improving the exchange of patient information with other health centers.

Financial Highlights

The Medical Center takes its financial stewardship responsibility seriously and works hard to manage its financial resources effectively, including the prudent use of debt to finance capital projects.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2019 AND 2018

Financial Highlights (Continued)

The Medical Center's financial position remains strong, with assets and deferred outflows of $257.8 million and liabilities and deferred inflows of $118.4 million at April 30, 2019, compared to assets and deferred outflows of $234.6 million and liabilities and deferred inflows of $108.5 million at April 30, 2018. Net position, which represents the residual interest in the Medical Center's assets after liabilities are deducted, totaled $139.4 million at April 30, 2019 as compared to $126.1 million at April 30, 2018. The following table summarizes changes in select financial ratios for the Medical Center:

	Fiscal Year 2019	Fiscal Year 2018	Percent Change	Industry Guideline (BBB+)
Operating Margin (%)	4.6 %	3.9 %	15.7 %	(1.3)%
Excess Margin (%)	5.6 %	4.6 %	21.7	0.7 %
Current Ratio	2.4	2.2	8.8	2.3
Days Cash on Hand	199.2	191.3	4.1	198.4
Days in Accounts Receivable, Net	42.9	42.0	2.1	45.6
Debt to Capitalization (%)	6.8 %	9.6 %	(28.6)	26.7 %
Average Age of Plant	12.0	12.0	0.2	12.7
EBIDA Margin (%)	10.5 %	9.7 %	8.5	8.1 %

Required Financial Statements

The statements of net position, the statements of revenues, expenses and changes in net position, and the statements of cash flows report information about the Medical Center's activities. These statements report the net position of the Medical Center and changes in them. Increases or improvements, as well as decreases or declines in the net position, are one indicator of the financial state of the Medical Center. Other nonfinancial factors that should also be considered include changes in economic conditions, population growth (including aging trends and growth in the uninsured), and new or changed government legislation.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2019 AND 2018

Financial Analysis of the Medical Center

The following table summarizes the changes in CGH Medical Center's assets, liabilities, and net position as of April 30, 2019 and 2018:

Condensed Statements of Net Position
(In Millions)

	Fiscal Year 2019	Restated Fiscal Year 2018	Dollar Change	Percent Change
Current and Other Assets	$ 167.1	$ 157.0	$ 10.1	6.4 %
Capital Assets, Net	73.3	70.6	2.7	3.8
Deferred Outflows	17.5	7.0	10.5	150.0
Total Assets and Deferred Outflows	$ 257.9	$ 234.6	$ 23.3	9.9
Long-Term Debt Outstanding	$ 13.2	$ 16.2	$ (3.0)	(18.5)%
Other Liabilities	96.1	80.1	16.0	20.0
Deferred Inflows	9.1	12.2	(3.1)	(25.4)
Total Liabilities and Deferred Inflows	118.4	108.5	9.9	9.1
Net Position:				
Investment in Capital Assets	59.7	53.1	6.6	12.4
Restricted	6.6	6.4	0.2	3.1
Unrestricted	73.2	66.6	6.6	9.9
Total Net Position	139.5	126.1	13.4	10.6
Total Liabilities, Deferred Inflows, and Net Position	$ 257.9	$ 234.6	$ 23.3	9.9

Attachment – 33A

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2019 AND 2018

Financial Analysis of the Medical Center (Continued)

The following table summarizes the changes in CGH Medical Center's assets, liabilities, and net position as of April 30, 2018 and 2017:

Condensed Statements of Net Position
(in Millions)

	Restated Fiscal Year 2018	Fiscal Year 2017	Dollar Change	Percent Change
Current and Other Assets	$ 157.0	$ 150.6	$ 6.4	4.2 %
Capital Assets, Net	70.6	68.8	1.8	2.6
Deferred Outflows	7.0	9.0	(2.0)	(22.2)
Total Assets and Deferred Outflows	$ 234.6	$ 228.4	$ 6.2	2.7
Long-Term Debt Outstanding	$ 16.2	$ 19.1	$ (2.9)	(15.2)%
Other Liabilities	80.1	89.1	(9.0)	(10.1)
Deferred Inflows	12.2	3.3	8.9	269.7
Total Liabilities and Deferred Inflows	108.5	111.5	(3.0)	(2.7)
Net Position:				
Investment in Capital Assets	53.1	49.1	4.0	8.1
Restricted	6.4	5.8	0.6	10.3
Unrestricted	66.6	62.0	4.6	7.4
Total Net Position	126.1	116.9	9.2	7.9
Total Liabilities, Deferred Inflows, and Net Position	$ 234.6	$ 228.4	$ 6.2	2.7

During fiscal year 2019, CGH Medical Center's net position increased by $13.3 million. Factors contributing to this increase are discussed in the following analysis of the Medical Center's condensed statements of revenues, expenses, and changes in net position:

Condensed Statements of Activities
(in Millions)

	Fiscal Year 2019	Fiscal Year 2018	Dollar Change	Percent Change
Net Patient Services Revenues	$ 231.2	$ 223.5	$ 7.7	3.4 %
Other Operating Revenues	7.7	2.9	4.8	165.5
Total Operating Revenues	238.9	226.4	12.5	5.5
Operating Expenses	216.7	206.4	10.3	5.0
Depreciation and Amortization	11.4	11.1	0.3	2.7
Total Operating Expenses	228.1	217.5	10.6	4.9
Operating Income	10.8	8.9	1.9	21.3
Nonoperating Revenues (Expenses), Net	2.5	1.5	1.0	66.7
Change in Net Position	$ 13.3	$ 10.4	$ 2.9	27.9

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2019 AND 2018

Financial Analysis of the Medical Center (Continued)

During fiscal year 2018, CGH Medical Center's net position increased by $10.4 million. Factors contributing to this increase are discussed in the following analysis of the Medical Center's condensed statements of revenues, expenses, and changes in net position.

Condensed Statements of Activities
(in Millions)

	Fiscal Year 2018	Fiscal Year 2017	Dollar Change	Percent Change
Net Patient Services Revenues	$ 223.5	$ 211.5	$ 12.0	5.7 %
Other Operating Revenues	2.9	2.9	-	-
Total Operating Revenues	226.4	214.4	12.0	5.6
Operating Expenses	206.4	194.0	12.4	6.4
Depreciation and Amortization	11.1	11.7	(0.6)	(5.1)
Total Operating Expenses	217.5	205.7	11.8	5.7
Operating Income	8.9	8.7	0.2	2.3
Nonoperating Revenues (Expenses), Net	1.5	0.3	1.2	400.0
Change in Net Position	$ 10.4	$ 9.0	$ 1.4	15.6

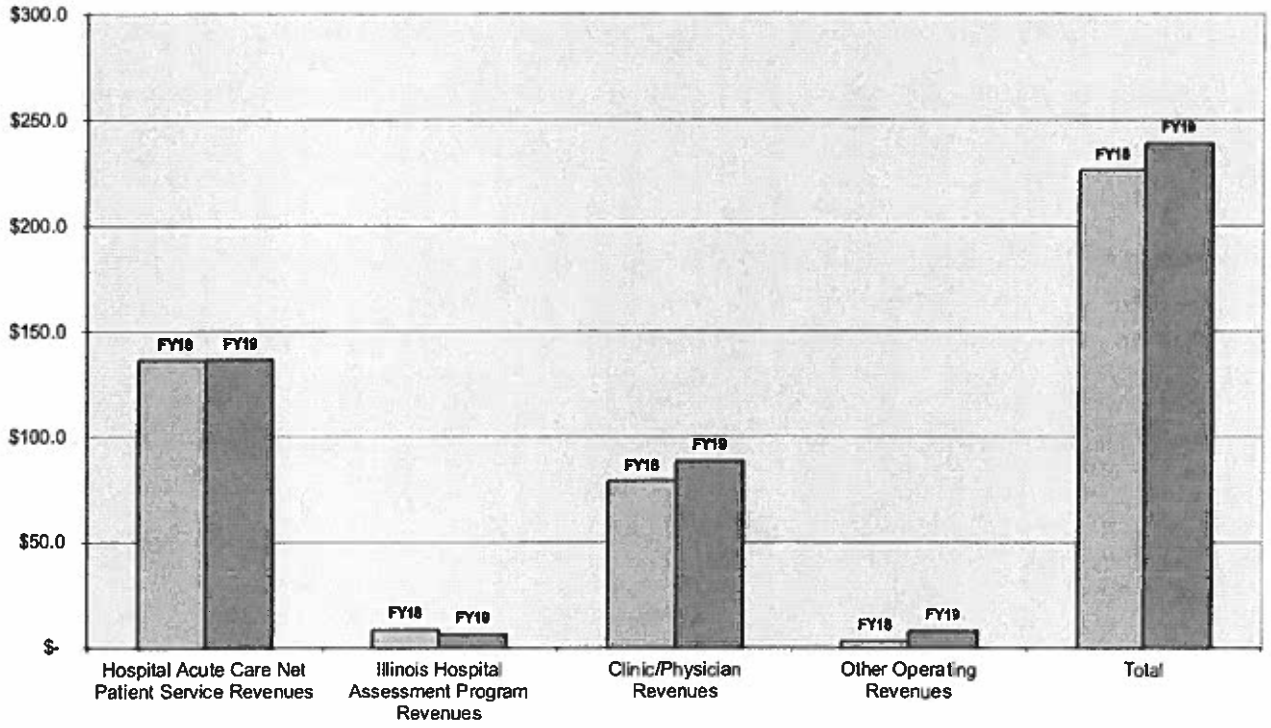
Attachment – 33A

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2019 AND 2018

Operating Revenues

The following chart presents the distribution of total operating revenues by source for the fiscal years ended April 30, 2019 and 2018:

Operating Revenue by Source
(In Millions)



The Medical Center derived approximately 57% of its total operating revenues from hospital based inpatient care and outpatient services, 3% from the Illinois Medicaid Hospital Assessment program, 37% from physician services, and 3% from other operating revenue sources which include lease revenues, cafeteria sales, and rental income. Significant fluctuations in revenue between fiscal years are noted in the discussion below.

The Medical Center continues to benefit from Illinois' gaining CMS approval for the Medicaid Hospital Assessment program. The Assessment program provides CGH with $9.1 million in supplemental federal payments to offset Medicaid shortfalls. Under current legislation, this Program is effective through June 30, 2020.

Attachment – 33A

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2019 AND 2018

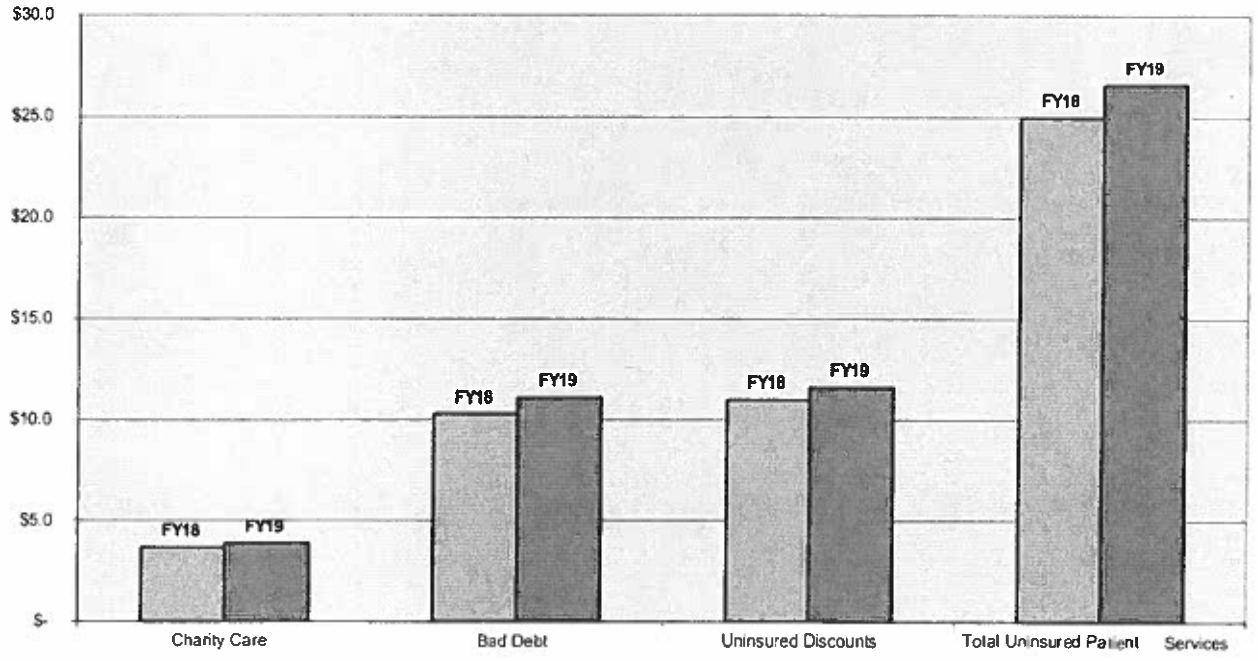
Payor Mix

As noted in the table below, the Medical Center's gross payor mix has some varying changes from the prior year. The Medical Center experienced a decrease in Medicaid and Commercial payors and an increase in Medicare and Blue Cross payors.

Payor	Fiscal Year 2019	Fiscal Year 2018	Percent Change
Medicare	49.1 %	48.5 %	0.6 %
Medicaid	17.2	17.4	(0.2)
Blue Cross	16.2	14.7	1.5
Commercial	14.1	15.9	(1.8)
Self-Pay	2.4	3.2	(0.8)
Other	1.0	0.3	0.7
Total	100.0 %	100.0 %	- %

Services provided to patients without a source of insurance (self-pay) or other financial means to pay for their healthcare have a major influence on the revenue and operating performance of a hospital. These services are generally comprised of charity care provided to patients who receive financial assistance and the write-off of bad debts. Often patients who end up with accounts in bad debt could have qualified for financial assistance but failed to apply. To assist patients without insurance, the Medical Center continues to implement a program that provides discounts to the uninsured. Total revenues foregone as charity care, bad debt, and uninsured discounts are reflected in the chart below:

Patient Care Services Provided to the Uninsured
(In Millions)

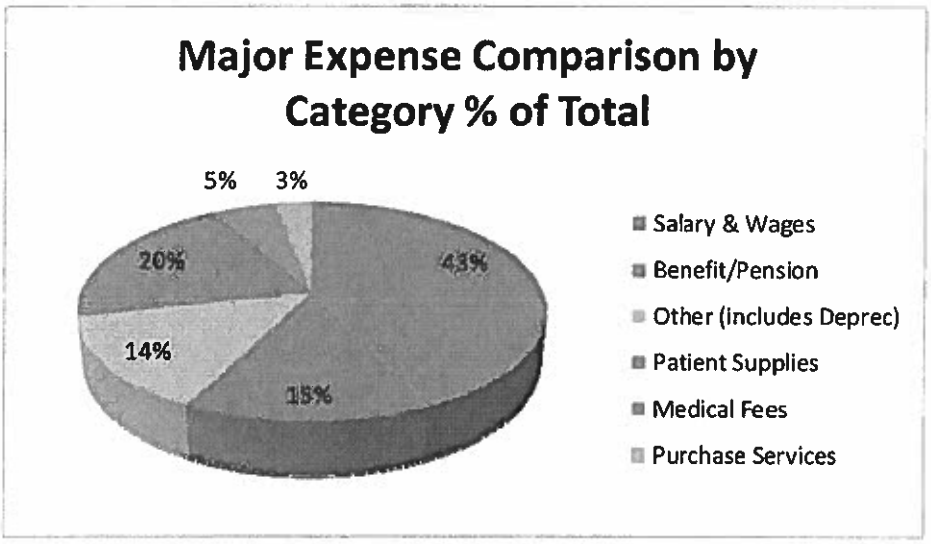


CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2019 AND 2018

Payor Mix (Continued)

Charity care, bad debt, and self-pay discounts combined totaled $26.5 million which is a $1.5 million increase as compared to the prior fiscal year. The Affordable Care Act (ACA) has allowed states to expand Medicaid coverage to its residents who meet specific income level requirements. Effective January 1, 2014, Illinois expanded medical coverage to adults under the new ACA program.

Operating Expenses



Fiscal year 2019 operating expenses totaled $228.1 million. This represents a 4.6% increase over the previous fiscal year. Medical Center expense categories that experienced significant change include: salary and wages, employee benefits and patient supplies, as noted in the discussion below:

- Patient supplies increased approximately $6.9 million primarily due to an increase in drug costs.

- Purchased services increased approximately $1.5 million due to third-party administration costs and dispensing fees for the 340B drug program.

Nonoperating Activities

Nonoperating activities are comprised of donations received and contributions given by the CGH Health Foundation (the Foundation), income from investments offset by interest expense, gains or losses on asset disposals, and changes in the balances of the Medical Center's two beneficial interest in affiliates, as discussed in the notes to the combined financial statements.

During fiscal year 2019, nonoperating revenues (expenses) increased by approximately $955,000 as compared to the prior year.

CGH MEDICAL CENTER
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APRIL 30, 2019 AND 2018

Capital Assets

During fiscal year 2019, the Medical Center invested approximately $19.1 million in capital assets as compared to approximately $13.0 million in fiscal year 2018. A comparison of major capital asset classifications is noted in the table below:

Capital Assets
(in Millions)

	Fiscal Year 2019 Actual	Fiscal Year 2018 Actual	Dollar Variance	Percent Variance
Land and Land Improvements	$ 7.0	$ 6.9	$ 0.1	0.8 %
Building and Leasehold Improvements	97.2	91.1	6.1	7
Equipment	102.8	97.6	5.2	5
Subtotal	207.0	195.6	11.4	6
Less: Accumulated Depreciation	(135.5)	(131.7)	(3.8)	3
Construction in Progress	1.8	6.7	(4.9)	(73.1)
Total Capital Assets, Net	$ 73.3	$ 70.6	$ 2.7	4

Significant asset additions put into service during the fiscal year include the following:

a. Cerner Patient Billing System – $3,349,000 was put into service. The Hospital billing system was replaced with Cerner Patient billing system.

b. Hybrid OR Suite – $2,700,000 was put into service. A Hybrid OR Suite was built to service vascular, urology, gastroenterology, and radiology special services. The project included equipment and construction of the space.

c. Rock Falls Clinic Building - $2,727,000 was put into service. CGH constructed a new 6,000 square feet medical clinic in Rock Falls.

d. MRI Suite - $2,093,000 was put into service Replaced MRI Unit and construction of space within diagnostic imaging department.

e. Downtown Clinic Renovation - $2,202,000 was put into service. The 8,000 square feet CGH Sterling Downtown Clinic was renovated which included new finishes throughout.

f. There has been a total investment of $1.8 million in the current fiscal year toward various projects that are not yet in service. Significant projects in process include the following: Perioperative Patient Monitors, $570,000; Anesthesia Delivery Machine, $2,504,000; and Pharmacy Clean Room, $82,000.

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APRIL 30, 2019 AND 2018

Capital Assets (Continued)

Significant asset additions put into service during the prior fiscal year included the following:

a. Surgical Floor (2E) Renovation - $1,070,000 was put into service. The surgical floor was completely renovated including finish upgrade to patient rooms including upgraded exam and patient lighting, corridors, and common areas in addition to upgrades to the heating system. Patient bathrooms were also completely renovated.

b. Stryker OR Video Camera System - $501,000 was put into service. The current video system was replaced and upgraded bringing in new technology to allow surgeons to view video images in high definition.

c. LED Surgical Lights and Arms - $229,000 was put into service. The OR upgraded the surgical spot lighting to LED lighting.

d. Two Echo/Ultrasound machines and one Portable Echo/Ultrasound - $255,000 was put into service. Two echo/ultrasound machines were purchased to replace current machines that are used in the hospital and clinic and one new portable echo/ultrasound machine was purchased.

e. There has been a total investment of $6.7 million in the current fiscal year toward various projects that are not yet in service. Significant projects in process include the following: Hospital Billing System, $2,597,000; MRI replacement, $2,084,000; and Downtown Clinic Remodel, $795,000.

Smaller projects for both fiscal years include normal furniture and equipment replacements and upgrades to existing hardware and software applications.

Overall, net capital assets increased from the prior fiscal year by approximately $2.7 million.

Long-Term Liabilities

At fiscal 2019 year-end, the Medical Center had cumulative short-term and long-term debt, include the net pension liability and the net OPEB liability of approximately $75.3 million, an increase of approximately $12.1 million from the prior year. The Medical Center's long-term debt consists of City of Sterling General Obligation Refunding Bonds issued during fiscal year 2013.

More detailed information about the Medical Center's long-term liabilities is presented in the notes to the combined financial statements. Note that cumulative short-term and long-term debt represents 11.3% of the Medical Center's total liabilities as of year-end.

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APRIL 30, 2019 AND 2018

Community Contribution and Community Health Services

CGH Medical Center strives to effectively communicate its policies and procedures related to its community benefits in the area of discounted and free services for the medically indigent, frail elderly, and underserved populations of its service area. CGH provides public information on charity programs and assistance with the application process for public aid. The Medical Center maintains policies on discounting for patients who do not qualify for financial assistance and offers alternative means of payment. The financial impact of these programs is reported, at cost, in the table below and represents the amounts of subsidized services that are provided to patients in the community:

Statement of Community Contribution
(in Millions)

	Fiscal Year 2019	Fiscal Year 2018	Percent Variance
Benefits Provided to the Community (at Cost)			
Medicare Shortfall	$ 23.4	$ 22.9	2.0 %
Medicaid Shortfall	14.8	12.2	21.3
Charity Care	0.9	0.9	(1.4)
Bad Debt (Net of Recoveries)	2.5	2.4	5.6
Discounts to the Uninsured	2.7	2.6	2.0
Total	$ 44.2	$ 41.0	7.9

CGH Medical Center provides services without charge or at amounts less than its established rates, to patients who meet the criteria of its charity policy. The criteria for charity care considers family income, net worth, household size, financial status, and extent of financial obligations for healthcare services. Sliding scale discounts are provided based upon family size and household income.

The net cost of charity care provided was approximately $887,000 in 2019 and $851,000 in 2018. The total cost estimate is based on the Medicare cost to charge ratio for the most recently filed cost report. The IL Medicaid Expansion program continues to impact the cost of charity care as more patients are qualifying for Medicaid.

In 2019, 0.5% of all services provided in a physician office setting were provided on a charity basis. In 2018, 0.5% of services (similarly measured) were charity.

In 2019, 2.8% of all services provided in a hospital setting were provided on a charity basis. In 2018, 1.7% of services (similarly measured) were charity.

In 2019, 224 patients out of 53,360 unique patients seen in a physician clinic setting received charity care. In 2018, 271 patients out of 53,945 unique patients seen in a physician clinic setting received charity care. Of those 224 patients, 45% received their entire episode on a charity basis and 55% received a partial subsidy. In 2018, of a total 271 clinic patients, 36% received their entire episode on a charity basis and 64% received a partial subsidy.

Community Contribution and Community Health Services (Continued)

For services provided in 2019 in a hospital setting, 2,220 patients out of 78,244 patients seen received charity care. In 2018, 1,538 patients out of 88,501 patients seen in a hospital setting received charity care.

The largest portion of physician clinic services provided on a charity basis was for surgical services, ancillary services such as lab tests, diagnostic imaging, and therapeutic services.

The most prevalent services provided on a charity basis in a hospital setting include emergency services and outpatient service visits such as diagnostic imaging tests.

Population Health Management and Community Services work closely to form the Community Health Network (CHN). This program's goal is to improve care coordination and quality of care by managing patients with chronic disease as well as identifying high-risk patients and monitoring clinical outcomes. This goal is accomplished by providing these high-risk patients with experienced RN care to help keep the participant in their home where they want to be. In an effort to reduce the overall hospital readmission rate, the CHN is now evaluating each inpatient based on the LACE scoring system. This scoring system identifies inpatients who are at higher risk to be readmitted to the hospital. The CHN nurses will partner with patients who meet the high-risk criteria in hope to prevent the readmission. Additionally, one home health nurse attends the daily discharge planning meetings to identify patients who would benefit from home nursing services further preventing a readmission.

In addition to implementing the readmission prevention program, the CHN program has initiated the Patient Nurse Navigator (PNN) role on the inpatient units. CHN nurses and the PNN collaborate on a daily basis to identify patients who are at high risk for readmission. This program is also designed to enhance the discharge process.

The Pharmacy is also collaborating with the CHN to prevent readmissions by enhancing the medication reconciliation process. Medication Technicians are available seven days a week to perform a thorough medication reconciliation at the time of admission and will carry through to the discharge process. Medication reconciliation during the patient's stay is vital to preventing readmissions.

In addition to the programs noted above, CGH is a generous donor in the community. In fiscal 2019, the Medical Center contributed $224,713 to 97 community organizations.

The Medical Center is the largest employer in Whiteside County. In fiscal 2019, the Medical Center provided $131.1 million in economic support through the payment of salaries and benefits to employees who reside in the community. CGH is the proud employer of 1,548 employees who have an average length of service of 10 years. The CGH Auxiliary donated 20,304 in volunteer hours during fiscal 2019 assisting patients, families and staff members in a variety of CGH Medical Center departments. The Auxiliary also awarded $10,000 in scholarship funds. A donation was made by the Auxiliary to the hospital for the outdoor lighting system. The total value of the CGH Auxiliary's philanthropy is $537,431.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2019 AND 2018

Contacting the Medical Center's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers, investors, and creditors with a general overview of the Medical Center's finances and to show the Medical Center's accountability for the money they receive. Questions about this report and requests for additional financial information should be directed to the Medical Center's administrative office by telephoning 815-625-0400.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
COMBINED STATEMENTS OF NET POSITION
APRIL 30, 2019 AND 2018

	2019	Restated 2018
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 43,459,406	$ 35,025,524
Patient Accounts Receivable, Less Allowance for Uncollectible Accounts of $15,035,602 for 2019 and $14,415,373 for 2018	27,174,623	25,721,962
Other Receivables	1,230,653	1,884,736
Estimated Third-Party Payor Settlements Receivable	740,892	2,336,391
Due from Beneficial Interest	115,587	113,005
Inventories	4,471,800	4,249,574
Accrued Interest Receivable	390,894	300,723
Prepaid Expenses	2,878,321	2,416,600
Total Current Assets	80,462,176	72,048,515
OTHER ASSETS		
Investments	74,792,232	73,181,353
Assets Limited as to Use	6,649,045	6,368,771
Capital Assets, Net	73,308,110	70,594,939
Other Assets	547,569	758,234
Beneficial Interest in Affiliates	4,590,185	4,641,721
Total Other Assets	159,887,141	155,545,018
Total Assets	240,349,317	227,593,533
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Deferred Outflows	17,507,885	6,971,322
Non-Pension Related Deferred Outflows	995	1,075
Total Deferred Outflows of Resources	17,508,880	6,972,397
Total Assets and Deferred Outflows of Resources	$ 257,858,197	$ 234,565,930

See accompanying Notes to Combined Financial Statements

Attachment – 33A

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
COMBINED STATEMENTS OF NET POSITION (CONTINUED)
APRIL 30, 2019 AND 2018

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2019	Restated 2018
CURRENT LIABILITIES		
Accounts Payable	$ 4,220,850	$ 4,890,844
Accrued Salaries, Wages, and Benefits	11,792,414	10,972,527
Accrued Malpractice	1,697,701	1,483,323
Current Maturities of Bonds Payable	2,930,000	2,830,000
Estimated Third-Party Payor Settlements Payable	10,398,450	10,226,443
Other Current Liabilities	2,918,452	2,669,977
Total Current Liabilities	33,957,867	33,073,114
LONG-TERM LIABILITIES		
Bonds Payable, Less Current Maturities and Net of Unamortized Premium of $642,186 for 2019 and $821,401 for 2018	10,232,186	13,341,401
Net Pension Liability	63,187,765	47,595,887
Net Other Post Employment Benefit Liability	1,888,921	2,309,841
Total Long-Term Liabilities	75,308,872	63,247,129
DEFERRED INFLOWS OF RESOURCES		
Pension Related Deferred Inflows	8,749,089	12,160,514
Non-Pension Related Deferred Inflows	358,471	564
Total Deferred Inflows of Resources	9,107,560	12,161,078
Total Liabilities and Deferred Inflows of Resources	118,374,299	108,481,321
NET POSITION		
Net Investment in Capital Assets	59,699,113	53,126,593
Restricted for:		
Health Development	6,649,045	6,368,771
Unrestricted	73,135,740	66,589,245
Total Net Position	139,483,898	126,084,609
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 257,858,197	$ 234,565,930

Attachment – 33A

See accompanying Notes to Combined Financial Statements.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
COMBINED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED APRIL 30, 2019 AND 2018

	2019	Restated 2018
OPERATING REVENUES		
Net Patient Service Revenues, Net of Provision for Bad Debts of $11,050,689 for 2019 and $10,277,581 for 2018	$ 231,228,557	$ 223,550,158
Other Operating Revenues	7,761,015	2,890,017
Total Operating Revenues	238,989,572	226,440,175
OPERATING EXPENSES		
Salaries and Wages	97,982,501	97,387,708
Employee Benefits	22,622,803	24,184,863
Medical Fees	11,942,982	11,436,739
Patient Service Supplies	45,883,923	39,014,416
Utilities	2,118,864	1,980,921
Purchased Services	7,084,715	5,621,443
Repairs and Maintenance	7,927,655	8,212,563
Depreciation and Amortization	11,410,343	11,112,475
Insurance	2,594,202	2,190,701
Rental Expense	933,610	899,448
Other	7,052,481	7,261,122
Total Operating Expenses	217,554,079	209,302,399
OPERATING INCOME BEFORE PENSION RELATED EXPENSE	21,435,493	17,137,776
Employee Benefits, Pension Obligation	10,537,911	8,215,736
OPERATING INCOME	10,897,582	8,922,040
NONOPERATING REVENUES (EXPENSES)		
Contributions Paid, Net	(158,244)	(132,847)
Investment Income	3,288,479	2,444,570
Interest Expense	(364,353)	(448,053)
Loss on Disposal of Capital Assets	(212,644)	(187,092)
Change in Beneficial Interest in Affiliates	(51,531)	(169,420)
Total Nonoperating Revenues	2,501,707	1,507,158
CHANGE IN NET POSITION	13,399,289	10,429,198
Net Position - Beginning of Year - As Originally Reported	126,084,609	116,891,758
Cumulative Effect - Adoption of Accounting Standard	-	(1,236,347)
Net Position - Beginning of Year - As Restated	-	115,655,411
NET POSITION - END OF YEAR	$ 139,483,898	$ 126,084,609

See accompanying Notes to Combined Financial Statements.

Attachment – 33A

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED APRIL 30, 2019 AND 2018

	2019	Restated 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from and on Behalf of Patients	$ 231,543,402	$ 230,377,201
Other Receipts and Payments, Net	8,412,516	2,487,131
Payments to Employees	(128,279,512)	(130,629,677)
Payments for Contractual Services	(12,413,279)	(9,353,357)
Payments for Other Operating Expenses	(75,016,076)	(67,883,113)
Net Cash Provided by Operating Activities	24,247,051	24,998,185
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Contributions Paid, Net	(158,244)	(132,847)
Net Cash Used by Noncapital Financing Activities	(158,244)	(132,847)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of Capital Assets	(13,678,682)	(11,601,651)
Principal Paid on Long-Term Debt	(2,830,000)	(2,750,000)
Interest Paid on Long-Term Debt	(543,568)	(627,267)
Net Cash Used by Capital Financing Activities	(17,052,250)	(14,978,918)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income	3,288,479	2,444,570
Proceeds from Sales and Maturities of Investments and Assets Limited as to Use	39,553,028	27,269,127
Purchases of Investments and Assets Limited as to Use	(41,431,612)	(49,757,870)
Net Cash Provided (Used) by Investing Activities	1,409,895	(20,044,173)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,446,452	(10,157,753)
Cash and Cash Equivalents - Beginning of Year	35,107,534	45,265,287
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 43,553,986	$ 35,107,534

Attachment – 33A

See accompanying Notes to Combined Financial Statements.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED APRIL 30, 2019 AND 2018

	2019	Restated 2018
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	$ 10,897,582	$ 8,922,040
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	11,410,343	11,112,475
Provision for Bad Debts	11,050,689	10,277,581
(Increase) Decrease in Operating Assets:		
Patient Accounts Receivable, Net	(12,503,350)	(3,176,038)
Accrued Interest Receivable	(90,171)	(59,651)
Other Accounts Receivable	654,089	(556,085)
Estimated Third-Party Payor Settlements	1,767,506	(274,500)
Due from Beneficial Interest	(2,582)	153,199
Inventories	(222,226)	(395,211)
Prepaid Expenses	(461,721)	172,239
Deferred Outflow of Resources	(10,536,563)	1,979,952
Deferred Inflow of Resources	(3,411,425)	8,892,630
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(1,116,805)	(488,220)
Accrued Liabilities	1,282,740	(29,756)
Net Pension Liability	15,528,945	(11,532,470)
Net Cash Provided by Operating Activities	$ 24,247,051	$ 24,998,185
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE COMBINED STATEMENTS OF NET POSITION		
Current Assets:		
Cash and Cash Equivalents	$ 43,459,406	$ 35,025,524
Assets Limited as to Use:		
Cash Equivalent Funds	94,580	82,010
Total	$ 43,553,986	$ 35,107,534
CASH FLOW DISCLOSURES		
Capital Asset Purchases in Account Payable	$ 446,811	$ 1,296,945

Attachment – 33A

See accompanying Notes to Combined Financial Statements.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
NOTES TO COMBINED FINANCIAL STATEMENTS
APRIL 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

CGH Medical Center (the Medical Center) is a component unit of the City of Sterling, Illinois and is governed by the board of directors of CGH Medical Center. The Medical Center's inpatient, outpatient, and emergency care services are for residents of north central Illinois. Admitting physicians are primarily local practitioners. The Medical Center's fiscal year ends on April 30.

Reporting Entity

For financial reporting purposes, the Medical Center has included all funds, organizations, account groups, agencies, boards, commissions, and authorities. The Medical Center has also considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Medical Center are such that exclusion would cause the Medical Center's combined financial statements to be misleading or incomplete. The Government Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the organization to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Medical Center. As required by the Governmental Accounting Standards Board criteria, the combined financial statements include CGH Medical Center (the primary government) and its blended component units, CGH Health Centers (formerly the Sterling Rock Falls Clinic), and CGH Health Foundation, Inc. The Medical Center is considered a part of the reporting entity of the City of Sterling, Illinois and is included in the city's financial statement as a component unit. Collectively, CGH Medical Center and its blended component units are referred to as "the Medical Center," unless identified individually. The Medical Center and its component units do not have separately issued financial statements.

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Accounting

For financial reporting purposes, the Medical Center is considered a component unit of the City of Sterling, Illinois, engaged only in business-type activities. Accordingly, the Medical Center's combined financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
NOTES TO COMBINED FINANCIAL STATEMENTS
APRIL 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards of Accounting and Financial Reporting

Due to its relationship with the city, the Medical Center is subject to the application of accounting pronouncements issued by the Governmental Accounting Standards Board (GASB).

The accompanying combined financial statements have been presented in conformity with accounting principles generally accepted in the United States of America (generally accepted accounting principles) in accordance with the American Institute of Certified Public Accountants' audit and accounting guide, Health Care Entities, and other pronouncements applicable to health care organizations and guidance from GASB, where applicable. The combined financial statements include all of the accounts of the Medical Center.

Cash and Cash Equivalents

Cash and cash equivalents (excluding those assets limited as to use) include liquid investments with maturities of three months or less when purchased.

Patient Accounts Receivable and Credit Policies

Patient accounts receivable are uncollateralized patient and third-party payor obligations which generally require payment within 30 days from invoice date. Statements are sent out approximately every 30 days. On the fourth statement the account is considered delinquent and a collection letter is sent. The account is turned over to collection at approximately 120 days, unless the patient account has been set up on a payment plan. At the time they are turned over to collection, they are also written off as uncollectible.

Payments of patient accounts receivable are applied to the specific invoices identified on the customers remittance advice or, if unspecified, research is done to identify invoices paid, if invoices cannot be identified, the payment goes against the earliest invoice outstanding.

The carrying amount of patient accounts receivable is reduced by valuation allowances that reflect management's best estimate of amounts that will not be collected. Management uses a system for estimating third-party contractual allowances and losses for uncollectible accounts, whereby certain percentages of patient service revenue for each of these allowances is recorded on a monthly basis as an offset to patient service revenue and patient accounts receivable. The percentages used by management are based off of historical trends in federal and state governmental and private employer health care coverage and trends with final adjustments made when private person cost reports are filed, if applicable. Periodically management reviews outstanding accounts for creditworthiness.

Inventories

General stores, pharmacy, and other inventories are carried at lower of cost or market, cost being determined on the "average" basis of accounting.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
NOTES TO COMBINED FINANCIAL STATEMENTS
APRIL 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and Investment Income

State statutes authorize the Medical Center to invest in obligations of the United States of America or its agencies (or guaranteed by the full faith and credit of the same) and certain time deposits and short-term obligations as defined in the Public Fund Investment Act.

Investments in debt and equity securities are carried at fair value which is determined using selected basis. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in nonoperating income when earned.

Fair Value of Financial Instruments

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Medical Center emphasizes that fair value is a market-based measurement, not an entity-specific measurement.

Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Medical Center has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Medical Center also follows the policy of valuing certain financial instruments at fair value. This accounting policy allows entities the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. The Medical Center elected to measure investments at fair value as permitted. The Medical Center may elect to measure newly acquired financial instruments at fair value in the future.

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APRIL 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments (Continued)

Securities are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Securities valued using Level 1 inputs included those traded on an active exchange, such as the New York Stock Exchange. Securities valued using Level 2 inputs include U.S. government and agency obligations and certificates of deposit.

Assets Limited as to Use

Assets limited as to use include assets for health development which donors have contributed for specific purposes or assets that have been designated by the board over which the board retains control and may, at its discretion, subsequently use for other purposes.

Capital Assets

Capital asset acquisitions are recorded at cost. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Contributed assets are recorded at their estimated fair value at the time of their donation. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Other costs incurred for repairs and maintenance is expensed as incurred.

Depreciation is provided over the estimated useful life of each class of depreciable assets ranging from 3 to 40 years, and is computed using the straight-line method.

Long-Lived Assets

Management evaluates its long-lived assets for possible impairment whenever events or circumstances indicate that the carrying amount of the asset, or related group of assets, may not be recoverable from estimated future cash flows. Measurement of the amount of the impairment, if any, may be based on independent appraisals, established market values of comparable assets or estimates of future discounted cash flows expected to result from the use and disposition of the assets. The estimates of these future cash flows are based on assumptions and projections believed by management to be reasonable. These subjective judgments take into account assumptions about revenue and expense growth rates, patient volumes, changes in payor mix, regulations, and other factors.

CGH MEDICAL CENTER
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NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Benefits for vacation, holidays, personal days, funeral days, and sick days are combined into one program called Earned Time Off (ETO). Employees' compensated absences are accrued when earned. The employees earn ETO days at varying rates depending on years of service. Employees may accumulate ETO hours earned. Up to 80 hours of ETO earned and accrued in excess of 480 hours (60 days) may be bought back from the employee in July of each year. The obligation and expenditure incurred during the year are recorded as salaries, wages, and benefits in the statements of net position, and as a component of employee benefits in the statements of activities.

Long-Term Liabilities

Long-term liabilities include principal amounts of bonds payable with contractual maturities greater than one year. Also, included in long-term liabilities is the net pension liability for pension benefits employees have earned and the net liability for other post-employment benefits.

Net Position

The Medical Center's net position is classified as follows:

Net investment in capital assets consists of capital assets net of accumulated depreciation reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets.

Restricted net position is net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors. The restricted amounts for health development consist of amounts designated internally or donated by various individuals, estates, grants, etc. These funds are restricted internally or by the donors for specific purposes.

Unrestricted net position is remaining net assets that do not meet the definition of *net investment in capital assets* or *restricted.*

Risk Management

The Medical Center is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; medical malpractice; employee injuries and illnesses; natural disasters and employee health, dental, and accident benefits. See Note 11 - Self Insurance Plan for a description of the employee health insurance coverage and Note 13 - Malpractice Insurance for a description of the professional liability insurance.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
NOTES TO COMBINED FINANCIAL STATEMENTS
APRIL 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Regulatory Investigation

The U.S. Department of Justice, other federal agencies, and the Illinois Department of Public Aid routinely conduct regulatory investigations and compliance audits of health care providers. The Medical Center is subject to these regulatory efforts. Management is currently unaware of any regulatory matters which may have a material effect on the Medical Center's financial position or results from operations.

Classification of Revenues and Expenses

The Medical Center has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating Revenues

Operating revenues include activities that have the characteristics of exchange transactions, such as patient service revenues. The statements of Revenues, Expenses, and Changes in Net Position include an intermediate measure of operations, income from operations that represents the activity of the ongoing operations of the Medical Center. Other income and expense, excluded from operating income, consists primarily of nonrecurring transactions and transactions that are outside of the Medical Center's primary activities.

Operating Expenses

Operating expenses are all expenses incurred to provide healthcare related services, other than financing costs.

Nonoperating Revenues

Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as other revenue sources that are defined as nonoperating revenues by GASB for example, investment income, and contributions.

Net Patient Service Revenue

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, and discounted charges. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

CGH MEDICAL CENTER
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NOTES TO COMBINED FINANCIAL STATEMENTS
APRIL 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Charity Care

The Medical Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as patient service revenue. Charity care includes the amount of costs forgone for services and supplies furnished under its charity care policy and was approximately $3,600,000 and $3,500,000 for the years ended April 30, 2019 and 2018, respectively. Charity care cost was determined on the application of the associated cost-to-charge ratios.

Income Taxes

CGH Medical Center is a component unit of the City of Sterling, Illinois and therefore is exempt from tax.

CGH Health Foundation, Inc., a component unit of CGH Medical Center, is a nonprofit corporation and has been recognized as tax-exempt pursuant to Sec. 501(c)(3) of the Internal Revenue Code.

The Medical Center applies the income tax standard for uncertain tax positions. This standard clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements in accordance with the income tax standard. This standard prescribes recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized.

Advertising

The Medical Center expenses advertising costs as incurred.

Beneficial Interest in Affiliates

Effective March 3, 1988, The Medical Center entered into an agreement with Katherine Shaw Bethea Hospital, to become a 50% member of Northern Illinois Cancer Treatment Center (NICTC), a nonprofit corporation. NICTC provides radiation treatment services to residents in North Central Illinois. The hospital accounts for the beneficial interest in affiliate based on their share of book value, which they believe approximates fair value. The beneficial interest as of April 30, 2019 and 2018 is approximately $3,803,000 and $3,953,000, respectively. The Medical Center analyzes the beneficial interest in NICTC annually for impairment.

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NOTES TO COMBINED FINANCIAL STATEMENTS
APRIL 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Beneficial Interest in Affiliates (Continued)

Effective August 29, 2001, the Medical Center entered into an agreement with Katherine Shaw Bethea Hospital, to become 50% member of Northern Illinois Home Medical Supply (NIHMS), a nonprofit corporation. NIHMS provides necessary medical supplies to residents in the North Central Illinois. The hospital accounts for the beneficial interest in affiliate based on their share of book value, which they believe approximates fair value. The beneficial interest as of April 30, 2019 and 2018 is approximately $787,000 and $689,000, respectively. The Medical Center analyzes the beneficial interest in NIHMS annually for impairment. NIHMS distributed $-0- to the Medical Center for the years ended April 30, 2019 and 2018, respectively.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Illinois Municipal Retirement Fund (IMRF) and additions to/deductions from IMRF fiduciary net position have been determined on the same basis as they are reported by IMRF.

Other Postemployment Benefits (OPEB)

For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and expense, information about the net position and additions to/deductions from net position have been determined on the same basis as they are reported by actuaries used the Entry Age Normal (EAN) cost method.

Deferred Inflows of Resources

Deferred inflows of resources are defined as an acquisition of net position that applies to future periods. Deferred inflows of resources consist of unrecognized items associated with net pension liability, other postemployment benefit liability and annual pension and OPEB expense.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB expense and contributions from the employer after the measurement date, but before the end of the employer's reporting period.

Estimated Malpractice Costs

The provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
NOTES TO COMBINED FINANCIAL STATEMENTS
APRIL 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards

GASB Statement No. 75, *Accounting and Financial Reporting For Postemployment Benefits Other Than Pensions,* replacing GASB Statement No 45, issued June 2015, was effective for the Medical Center beginning with it year ending April 30, 2018. The objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows or resources, and expense/expenditures. The Medical Center adopted this guidance in 2019, as discussed in Note 15.

NOTE 2 DEPOSITS, INVESTMENTS, AND ASSETS LIMITED AS TO USE

Deposits

The carrying amount of the Medical Center's cash and deposits was $43,459,406 and $35,025,524 at April 30, 2019 and 2018, respectively. The bank balances totaled $44,251,305 and $36,643,083 at April 30, 2019 and 2018, respectively. Cash on hand was $5,845 at April 30, 2019 and 2018, respectively.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Medical Center's deposits may not be returned to it. The Medical Center's investment policy allows that funds on deposit with one institution shall not represent more than 50% of the Medical Center's invested funds at any one time. Additionally, the Medical Center allows that funds on deposit in excess of FDIC limits must be secured by some form of collateral held by the institutions in the name of the Medical Center.

Investments

As of April 30, 2019 and 2018, the Medical Center had the following investments:

	Investment Maturities (in Years) at April 30, 2019					
	Fair Value	Less than 1	1-5	6-10	10 or More	Rating
Certificates of Deposit	$ 32,439,455	$ 19,465,455	$ 12,974,000	$ -	$ -	N/A
Mutual Funds	4,342,404	4,342,404	-	-	-	N/A
FNMA	4,869,151	875,000	2,035,551	7,480	1,951,120	AA+
FHLB	4,923,353	1,337,353	3,586,000	-	-	AA+
GNMA	2,454,833	-	-	4,205	2,450,628	N/A
FHLMC	7,869,872	1,226,667	6,170,000	762	472,443	AA+
Municipal Bonds	17,893,164	7,815,000	10,078,164	-	-	A- thru AA+
Total	$ 74,792,232	$ 35,061,879	$ 34,843,715	$ 12,447	$ 4,874,191	

Attachment – 33A

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
NOTES TO COMBINED FINANCIAL STATEMENTS
APRIL 30, 2019 AND 2018

NOTE 2 DEPOSITS, INVESTMENTS, AND ASSETS LIMITED AS TO USE (CONTINUED)

Investments (Continued)

	Investment Maturities (in Years) at April 30, 2018					
	Fair Value	Less than 1	1-5	6-10	10 or More	Rating
Certificates of Deposit	$ 30,675,918	$ 22,544,918	$ 8,131,000	$ -	$ -	N/A
Mutual Funds	3,994,035	3,994,035	-	-	-	N/A
FNMA	5,297,516	2,872,068	1,001,213	-	1,424,235	AA+
FHLB	4,477,956	3,200,603	1,277,353	-	-	AA+
GNMA	3,449,678	-	-	-	3,449,678	N/A
FHLMC	5,697,765	745,000	4,385,173	-	567,592	AA+
Municipal Bonds	19,588,485	5,165,873	13,102,612	1,320,000	-	A- thru AA+
Total	$ 73,181,353	$ 38,522,497	$ 27,897,351	$ 1,320,000	$ 5,441,505	

Assets Limited as to Use

The composition of assets limited as to use at April 30 is set forth in the following table:

	2019	2018
Assets Limited as to Use:		
Cash Equivalent Funds	$ 94,580	$ 82,010
Mutual Funds	6,554,465	6,286,761
Total Assets Limited as to Use	$ 6,649,045	$ 6,368,771

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Medical Center limits funds that are not directly matched with anticipated cash flow requirements to maturities primarily less than a five-year average weighted life.

Credit Risk

The Medical Center's investment policy is to apply the prudent person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to conform with legal requirements and state statutes, seek reasonable income, preserve capital, maintain liquidity, and in general, avoid speculative instruments.

Fair Value Measurements

The Medical Center uses fair value measurements to record fair value adjustments to certain assets to determine fair value disclosures. For additional information on how the Medical Center measures fair value refer to Note 1 – Summary of Significant Accounting Principles.

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NOTES TO COMBINED FINANCIAL STATEMENTS
APRIL 30, 2019 AND 2018

NOTE 2 DEPOSITS, INVESTMENTS, AND ASSETS LIMITED AS TO USE (CONTINUED)

Fair Value Measurements

The following tables present the fair value hierarchy for the balances of the assets and liabilities of the Medical Center measured at fair value on a recurring basis as of April 30:

	2019			
	Level 1	Level 2	Level 3	Total
Investments:				
Certificates of Deposit	$32,439,455	$ -	$ -	$32,439,455
Government Obligations	-	38,010,373	-	38,010,373
Mutual Funds	4,342,404	-	-	4,342,404
Total Investments	36,781,859	38,010,373	-	74,792,232
Assets Limited as to Use:				
Mutual Funds	6,554,465	-	-	6,554,465
Total Assets Measured at Fair Value	$43,336,324	$38,010,373	$ -	$81,346,697

	2018			
	Level 1	Level 2	Level 3	Total
Investments:				
Certificates of Deposits	$30,675,918	$ -	$ -	$30,675,918
Government Obligations	-	38,511,400	-	38,511,400
Mutual Funds	3,994,035	-	-	3,994,035
Total Investments	34,669,953	38,511,400	-	73,181,353
Assets Limited as to Use:				
Mutual Funds	6,286,761	-	-	6,286,761
Total Assets Measured at Fair Value	$40,956,714	$38,511,400	$ -	$79,468,114

The estimated fair values of financial instruments have been derived, in part, by management's assumptions, the estimated amount and timing of future cash flows, and estimated discount rates, Different assumptions could significantly affect these estimated fair values. Accordingly, the net realizable value could be materially different from the estimates presented below. In addition, the estimates are only indicative of the value of individual financial instruments and should not be considered an indication of the fair value of the Medical Center.

CGH MEDICAL CENTER
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NOTES TO COMBINED FINANCIAL STATEMENTS
APRIL 30, 2019 AND 2018

NOTE 3 CAPITAL ASSETS

Capital asset activity for the years ended April 30 was as follows:

	2019			
	Beginning Balance	Additions and Transfers	Disposals and Retirements	Ending Balance
Land	$ 2,724,440	$ 140,166	$ -	$ 2,864,606
Land Improvements	4,184,203	36,388	(48,913)	4,171,678
Buildings and Building Improvements	91,081,103	8,292,364	(2,204,581)	97,168,886
Building Service Equipment	13,183,198	-	(758,489)	12,424,709
Moveable Equipment	84,425,075	10,708,415	(4,716,470)	90,417,020
Construction in Progress	6,733,126	(4,958,874)	-	1,774,252
Total Cost	202,331,145	14,218,459	(7,728,453)	208,821,151
Less: Accumulated Depreciation:				
Land Improvements	2,705,053	231,065	(48,913)	2,887,205
Buildings	53,626,362	3,336,187	(2,115,605)	54,846,944
Rented Buildings	823,703	-	-	823,703
Building Service Equipment	11,732,596	190,217	(753,384)	11,169,429
Moveable Equipment	62,848,492	7,526,615	(4,589,347)	65,785,760
Total Accumulated Depreciation	131,736,206	11,284,084	(7,507,249)	135,513,041
Total Capital Assets, Net	$ 70,594,939	$ 2,934,375	$ (221,204)	$ 73,308,110

	2018			
	Beginning Balance	Additions and Transfers	Disposals and Retirements	Ending Balance
Land	$ 2,724,440	$ -	$ -	$ 2,724,440
Land Improvements	4,160,839	133,570	(110,206)	4,184,203
Buildings and Building Improvements	89,259,925	1,498,908	(511,892)	90,246,941
Rented Buildings	826,560	7,602	-	834,162
Building Service Equipment	13,629,172	-	(445,974)	13,183,198
Moveable Equipment	82,113,221	6,059,365	(3,747,511)	84,425,075
Construction in Progress	1,447,534	5,285,592	-	6,733,126
Total Cost	194,161,691	12,985,037	(4,815,583)	202,331,145
Less: Accumulated Depreciation:				
Land Improvements	2,562,381	252,877	(110,205)	2,705,053
Buildings	50,834,915	3,302,863	(511,416)	53,626,362
Rented Buildings	820,972	2,731	-	823,703
Building Service Equipment	11,948,912	229,656	(445,972)	11,732,596
Moveable Equipment	59,209,266	7,198,110	(3,558,884)	62,848,492
Total Accumulated Depreciation	125,376,446	10,986,237	(4,626,477)	131,736,206
Total Capital Assets, Net	$ 68,785,245	$ 1,998,800	$ (189,106)	$ 70,594,939

CGH MEDICAL CENTER
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NOTE 4 CONSTRUCTION IN PROGRESS

The Medical Center has active construction projects as of April 30, 2019 and 2018. The projects are being financed with cash from operations. The following schedules present a summary of the budget and actual expenditures at April 30, 2019 and 2018 and the anticipated construction expenditures to complete the projects, which includes commitments:

Project	Budget	Expenditures as of April 30, 2019	Estimated Expenditures to Complete
Anesthesia Delivery Machine	$ 637,775	$ 503,500	$ 134,275
Pharmacy Relocation/Clean room	2,173,320	82,169	2,091,151
Preoperative Patient Monitors	681,965	569,829	112,136
Other	2,127,005	618,754	1,508,251
Total		$ 1,774,252	$ 3,845,813

Project	Budget	Expenditures as of April 30, 2018	Estimated Expenditures to Complete
Rock Falls Clinic	$ 3,574,000	$ 293,040	$ 3,280,960
Hospital Billing System	3,545,985	2,596,431	949,554
MRI Replacement	2,556,772	2,084,379	472,393
Other	5,963,861	2,052,316	3,911,545
Total		$ 6,733,126	$ 5,333,492

NOTE 5 AGREEMENT WITH THE GREATER STERLING DEVELOPMENT CORPORATION

During 2002, the Medical Center entered into an agreement with the Greater Sterling Development Corporation (GSDC) to promote economic development within its market area. The Medical Center agreed to finance the construction of a building on GSDC real estate for future sale or lease to a new area business. The Medical Center financed $844,250 related to the project. Beginning on April 30, 2012, the Medical Center has agreed to forgive 10%, or $84,425, of the amount financed an annual basis over 10 years. However, the agreement is subject to a stipulation whereby GSDC would be required to repay any unforgiven balance if the real estate is sold at any time during the 10-year period ending April 30, 2022. At April 30, 2019 and 2018, the remaining balance was $168,850 and $253,275, respectively. These remaining balances are included in other assets on the combined statements of net position.

CGH MEDICAL CENTER
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APRIL 30, 2019 AND 2018

NOTE 6 PATIENT ACCOUNTS RECEIVABLE

Patient accounts receivable of the Medical Center consisted of the following amounts at April 30:

	2019	2018
Patient Accounts Receivable:		
Medicare	$ 8,479,750	$ 7,988,786
Medicaid	1,858,693	1,975,201
State of Illinois - Commercial	4,091,256	5,515,092
Other Third-Party Payors	17,294,523	13,900,693
Patients	10,486,003	10,757,563
Total	42,210,225	40,137,335
Less: Allowance for Uncollectible Accounts	15,035,602	14,415,373
Total Patient Accounts Receivable, Net	$ 27,174,623	$ 25,721,962

NOTE 7 NET PATIENT SERVICE REVENUE

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates. Following is a summary of the payment arrangements with major third-party payors:

Medicare

Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Beginning in 2002, the Medical Center claimed Medicare payments based on an interpretation of certain "disproportionate share" rules. The Medical Center has applied for additional reimbursement under the "disproportionate share" rules for all years from 2002 forward. The Medical Center is also classified as a Medicare dependent hospital.

The Medical Center has included approximately $2,086,000 and $2,622,000 of reimbursement related to disproportionate share and Medicare dependent costs in net patient service revenue for the years ended April 30, 2019 and 2018, respectively. The Medical Center's classification of patients under the Medicare program and the appropriateness of their admission are subject to independent review by a peer review organization. The Medical Center's Medicare cost reports have been final settled by the Medicare fiscal intermediary through April 30, 2016.

Medicaid

Inpatient acute care services and outpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates. Both inpatient and outpatient rates are not subject to retroactive adjustment.

The Federal Centers for Medicare and Medicaid Services (CMS) approved state of Illinois (State) legislation for a Medicaid Hospital Assessment Program (Program).

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APRIL 30, 2019 AND 2018

NOTE 7 NET PATIENT SERVICE REVENUE (CONTINUED)

Medicaid (Continued)

Under the Program, the Medical Center receives additional Medicaid reimbursement from the State. The Program has been modified and extended through June 30, 2020.

The Department of Healthcare and Family Services is to make hospital access improvement payments for the period through June 30, 2019.

Payments of $9.1 million and $8.5 million were included in net patient service revenue for both of these programs for the years ended April 30, 2019 and 2018, respectively.

Blue Cross

For inpatient services rendered at CGH Medical Center to Blue Cross subscribers are reimbursed under a cost reimbursement methodology. The Medical Center is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by Blue Cross. The Medical Center's Blue Cross cost reports have been audited through April 30, 2018.

Other

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

Uninsured

For uninsured patients that do not qualify for charity care, the Medical Center recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, an increased portion of the Medical Center's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Medical Center records a significant provision for bad debts related to uninsured patients in the period the services are provided.

Revenue from the Medicare and Medicaid programs accounted for approximately 34% and 7%, respectively, of the Medical Center's net patient service revenue for the year ended April 30, 2019. Revenue from the Medicare and Medicaid programs accounted for approximately 33% and 7%, respectively, of the Medical Center's net patient service revenue for the year ended April 30, 2018. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The 2019 net patient revenue increased approximately $1,453,000 and 2018 net patient revenue increased approximately $135,000, due to the Medicare and Medicaid programs.

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NOTES TO COMBINED FINANCIAL STATEMENTS
APRIL 30, 2019 AND 2018

NOTE 7 NET PATIENT SERVICE REVENUE (CONTINUED)

A summary of patient service revenue and revenue adjustments for the years ended April 30 is as follows:

	2019	2018
Total Patient Service Revenues	$ 886,192,263	$ 828,234,787
Contractual Adjustments and Provision for Bad Debt:		
Medicare	357,518,572	328,296,527
Medicaid	141,776,693	129,238,825
Other	144,617,752	136,871,696
Provision for Bad Debts	11,050,689	10,277,581
Total	654,963,706	604,684,629
Net Patient Service Revenue	$ 231,228,557	$ 223,550,158

NOTE 8 BONDS PAYABLE

At April 30, bonds payable consisted of the following issues:

	2019				
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
2012 Bonds	$ 15,350,000	$ -	$ (2,830,000)	$ 12,520,000	$ 2,930,000
Unamortized Bond Premium	821,401	-	(179,215)	642,186	-
Long-Term Debt, Net	$ 16,171,401	$ -	$ (3,009,215)	$ 13,162,186	$ 2,930,000

	2018				
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
2012 Bonds	$ 18,100,000	$ -	$ (2,750,000)	$ 15,350,000	$ 2,830,000
Unamortized Bond Premium	1,000,615	-	(179,214)	821,401	-
Long-Term Debt, Net	$ 19,100,615	$ -	$ (2,929,214)	$ 16,171,401	$ 2,830,000

In December 2012, the City of Sterling issued $30,370,000 in General Obligation Refunding Bonds (2012 Bonds) with an average interest rate of 3.10% to advance refund approximately $27 million of outstanding Series 2003, 2006 and 2011 Bonds with an average interest rate of 4.45% and provided $7 million of cash to the Medical Center for construction projects.

A portion of the net proceeds (after payment of underwriting fees, insurance, and other issuance costs) were used to purchase SLGS securities which were deposited with an escrow agent to provide for all future debt service payments on the Series 2003, 2006, and 2011 Bonds. As a result, the Series 2003, 2006 and 2011 Bonds are considered to be defeased and the liability for those bonds has been removed from the combined statements of net position.

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NOTE 8 BONDS PAYABLE (CONTINUED)

For the 2012 Bonds, annual requirements of principal and interest payments to retire debt obligations are due on November 1 each year. Interest only payments are due on May 1 each year. Annual requirements to retire the bond obligations are as follows:

Year Ending April 30,	Principal	Interest	Total
2019	$ 2,930,000	$ 500,800	$ 3,430,800
2020	3,055,000	383,600	3,438,600
2021	3,205,000	261,400	3,466,400
2022	3,330,000	133,200	3,463,200
Total	$ 12,520,000	$ 1,279,000	$ 13,799,000

NOTE 9 EMPLOYEE RETIREMENT PLANS

Defined Contribution Plan

The Medical Center provides pension benefits for its employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Medical Center contributes 3% to participants regardless of their contribution level. The Medical Center matches employee contributions at 50% to a maximum employee contribution of 8%. To be eligible to participate, an employee must agree to participate in the "CGH Medical Center and its Subsidiaries Deferred Compensation Plan," be less than the age of 65 years, not be a participant in the Illinois Municipal Retirement Fund Plan, and must average at least 1,000 hours annually.

The Medical Center's contribution to this plan was $3,405,607 and $3,409,418 in 2019 and 2018, respectively.

Defined Benefit Plan

The Medical Center's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The Medical Center's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multiemployer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

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NOTE 9 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Benefits Provided

IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

All three IMRF benefit plans have two tiers. Employees hired before January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement. Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after 10 years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with 10 years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the lesser of:

- 3% of the original pension amount, or
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

Employees Covered by Benefit Terms

As of December 31, 2018 and 2017, the following employees were covered by the benefit terms:

	IMRF	
	December 31, 2018	December 31, 2017
Retirees and Beneficiaries Currently Receiving Benefits	273	245
Inactive Plan Members Entitled to but not yet Receiving Benefits	93	90
Active Plan Members	407	398
Total	773	733

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NOTE 9 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Contributions

As set by statute, the Medical Center's Regular Plan Members are required to contribute 4.50% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Medical Center's annual contribution rate for calendar year 2018 was 23.18%. For the fiscal years ended April 30, 2019 and 2018, the Medical Center contributed $5,522,822 and $5,496,420 to the plan, respectively. The Medical Center also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's board of trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability

The Medical Center's net pension liability was measured as of December 31, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2018:

- The Actuarial Cost Method used was Entry Age Normal.
- The Asset Valuation Method used was Market Value of Assets.
- The Inflation Rate was assumed to be 2.75%.
- Salary Increases were expected to be 3.75% to 14.50%, including inflation.
- The Investment Rate of Return was assumed to be 7.50%.
- Projected Retirement Age was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.
- The IMRF-specific rates for Mortality (for nondisabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For Disabled Retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for nondisabled lives.
- For Active Members, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

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NOTE 9 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Actuarial Assumptions (Continued)

- The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation
- The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table as of December 31, 2018:

	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Asset Class:		
Domestic Equity	37 %	6.85 %
International Equity	18	6.75
Fixed Income	28	3.00
Real Estate	9	5.75
Alternative Investments	7	2.65-7.35
Cash Equivalents	1	2.25
Total	100 %	

Single Discount Rate

A Single Discount Rate of 7.25% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.25%, the municipal bond rate is 3.71%, and the resulting single discount rate is 7.25%.

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NOTE 9 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance - December 31, 2018	$ 161,792,684	$ 114,196,797	$ 47,595,887
Changes for the Year:			
Service Cost	2,211,694	-	2,211,694
Interest on the Total Pension Liability	11,930,332	-	11,930,332
Difference between Expected and Actual Experience	55,489	-	55,489
Changes of Assumption	4,772,554		4,772,554
Contributions - Employer	-	5,573,265	(5,573,265)
Contributions - Employees	-	1,241,675	(1,241,675)
Net Investment Income	-	(3,373,012)	3,373,012
Benefit Payments, including Refunds of Employee Contributions	(7,681,120)	(7,681,120)	-
Administrative Expenses	-	(63,764)	63,764
Other (Net Transfer)	-	27	(27)
Net Changes	11,288,949	(4,302,929)	15,591,878
Balance - December 31, 2019	$ 173,081,633	$ 109,893,868	$ 63,187,765

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance - December 31, 2017	$ 158,031,199	$ 98,938,382	$ 59,092,817
Changes for the Year:			
Service Cost	2,305,057	-	2,305,057
Interest on the Total Pension Liability	11,681,117	-	11,681,117
Difference between Expected and Actual Experience	1,200,079	-	1,200,079
Changes of Assumption	(4,543,564)		(4,543,564)
Contributions - Employer	-	5,432,288	(5,432,288)
Contributions - Employees	-	1,191,261	(1,191,261)
Net Investment Income	-	15,182,555	(15,182,555)
Benefit Payments, including Refunds of Employee Contributions	(6,881,204)	(6,881,204)	-
Other (Net Transfer)	-	333,515	(333,515)
Net Changes	3,761,485	15,258,415	(11,496,930)
Balance - December 31, 2018	$ 161,792,684	$ 114,196,797	$ 47,595,887

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NOTE 9 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.25%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	1% Lower (6.25%)	Current Discount Rate (7.25%)	1% Higher (8.25%)
Net Pension Liability	$ 85,189,119	$ 63,187,765	$ 45,725,538

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

For the years ended April 30, 2019 and 2018, the Medical Center recognized pension expense of $7,118,272 and $4,794,419, respectively. At April 30, 2019 and 2018, the Medical Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019		2018	
Deferred Amounts Related to Pensions	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred Amounts to be Recognized in Pension Expense in Future Periods:				
Differences between Expected and Actual Experience	$ 807,100	$ (46,201)	$ 1,032,216	$ (263,137)
Changes of Assumptions	3,841,378	(3,998,634)	978,895	(5,625,040)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	11,043,996	(4,704,254)	3,071,837	(6,272,337)
Total Deferred Amounts to be Recognized in Pension Expense in Future Periods	15,692,474	(8,749,089)	5,082,947	(12,160,514)
Pension Contributions Made Subsequent to the Measurement Date	1,815,411	-	1,888,375	-
Total Deferred Amounts Related to Pensions	$ 17,507,885	$ (8,749,089)	$ 6,971,322	$ (12,160,514)

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NOTE 9 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

	2019	
Year Ending December 31,	Net Deferred Outflows of Resources	Net Deferred Inflows of Resources
2020	$ 4,926,961	$ (3,227,641)
2021	3,667,731	(2,723,669)
2022	3,546,298	(2,396,552)
2023	3,433,453	(401,227)
2024	118,033	-
Total	$ 15,692,476	$ (8,749,089)

	2018	
Year Ending December 31,	Net Deferred Outflows of Resources	Net Deferred Inflows of Resources
2019	$ 2,818,416	$ (3,411,425)
2020	1,599,483	(3,227,641)
2021	340,254	(2,723,669)
2022	218,821	(2,396,552)
2023	105,973	(401,227)
Total	$ 5,082,947	$ (12,160,514)

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS

Plan Description

In addition to providing the pension benefits described in Note 9, the Medical Center provides postemployment health care benefits (OPEB) for retired employees through a single employer defined benefit plan (Retiree Healthcare Program). The benefits, benefit levels, employee contributions, and employer contributions are governed by the Medical Center and can be amended by the Medical Center through its personnel manual. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report. The Medical Center has separately stated, in the combined statements of net position, a long term liability of $1,888,921 and $2,309,841 at April 30, 2019 and 2018, respectively. In regards to funding, the Medical Center does not fund the plan.

Benefits Provided

The Medical Center provides continued health insurance coverage at the Cobra rate to all eligible retirees. To be eligible for benefits, an employee must qualify for retirement under one of the Medical Center's retirement plans. Upon a retiree reaching age 65 years of age,

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Medicare becomes the primary insurer and the retiree can choose not to participate in the plan or continue under the Medical Center's plan at a Medicare Supplement rate.

Actuarial Methods and Assumptions

The long-term expected rate of return on OPEB plan investments that are expected to be used to finance the payment of benefits, to the extent that (1) the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and (2) OPEB plan assets are expected to be invested using a strategy to achieve that return, and a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale), to the extent that the conditions above are not met.

The Medical Center's net OPEB liability (asset) was measured as of April 30, 2019, and the total OPEB liability (asset) used to calculate the net OPEB liability was determined by an actuarial valuation as of April 30, 2019. Liabilities in this report were calculated as of the valuation date and rolled forward to the measurement date using standard actuarial roll-forward techniques.

The total OPEB liability was determined by an actuarial valuation as of April 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary Increases	2.50%
Percentage of Eligible IMRF Retirees Electing to Continue Coverage	20.00%
Percentage of Eligible IMRF Retirees Electing Coverage Who Will Continue Coverage Past Age 65	0.00%
Percentage of currrent non-IMRF employees who will switch to/elect IMRF during working lifetime	1

Mortality rates were based on the RPH-2014 mortality tables with projected mortality improvements based on scale MP-2014, and other adjustments.

The discount rate used to measure the total OPEB liability was 3.35%. The projection of cash flows and OPEB trust assets used to determine the discount rate were based on recent employer contribution history and their stated funding policy. The OPEB trust's long-term assumed investment return was used to discount projected benefit payments for as long as projected trust assets are available to fund OPEB payments.

Since the most recent GASB 45 valuation, the following changes have been made:

- The actuarial cost method changed from using the Projected Unit Credit cost method to the Entry Age Normal level percentage of pay cost method.

- The discount rate was changed from 3.71% to 3.35%.

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NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in the Net OPEB Liability

	2019 Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at April 30, 2018	$ 2,309,841	$ -	$ 2,309,841
Changes for the Year:			
Service Cost	50,952	-	50,952
Interest Cost	68,319	-	68,319
Differences Between Expected and Actual Experience	(36,518)	-	(36,518)
Contributions-Employer	-	-	-
Net Investment income	-	-	-
Benefit Payments	(145,340)	-	(145,340)
Changes in Assumptions	(358,333)	-	(358,333)
Net Changes	(420,920)	-	(420,920)
Balances at April 30, 2019	$ 1,888,921	$ -	$ 1,888,921

	2018 Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at April 30, 2017	$ 2,344,870	$ -	$ 2,344,870
Changes for the Year:			
Service Cost	68,400	-	68,400
Interest Cost	86,267	-	86,267
Differences Between Expected and Actual Experience	(606)	-	(606)
Contributions-Employer	-	-	-
Net Investment income	-	-	-
Benefit Payments	(190,246)	-	(190,246)
Changes in Assumptions	1,156	-	1,156
Net Changes	(35,029)	-	(35,029)
Balances at April 30, 2018	$ 2,309,841	$ -	$ 2,309,841

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NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in the Net OPEB Liability (Continued)

The following presents the net OPEB liability of the Medical Center, as well as what the Medical Center's net OPEB liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease (2.35%)	Discount Rate (3.35%)	1% Increase (4.35%)
Net OPEB Liability (Asset)	$ 2,045,219	$ 1,888,921	$ 1,748,418

For the year ended April 30, 2019 and 2018, the Medical Center recognized OPEB expense of ($62,933) and ($35,540). At April 30, 2019 and 2018, the Medical Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2019	
Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Liability	$ -	$ -
Change of Assumptions	-	-
Net Difference Between Projected and Actual Investment Earnings	994	358,471
Contributions Between Measurement Date and Reporting Date	N/A	N/A
Total	$ 994	$ 358,471

	2018	
Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Liability	$ -	$ -
Change of Assumptions	-	-
Net Difference Between Projected and Actual Investment Earnings	1,075	564
Contributions Between Measurement Date and Reporting Date	N/A	N/A
Total	$ 1,075	$ 564

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NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in the Net OPEB Liability (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending April 30,	Future Recognition
2020	$ (36,864)
2021	(36,864)
2022	(36,864)
2023	(36,864)
2024	(36,864)
Thereafter	(173,157)
Total	$ (357,477)

NOTE 11 SELF INSURANCE PLAN

The Medical Center adopted a "self-insured" employee medical health plan effective November 1, 1984. A co-insurance policy is maintained covering plan participants for all costs in excess of $260,000 for 2019 and 2018 per person annually. The plan year runs from January 1 to December 31. The Medical Center estimates the amount of incurred but unpaid claims at April 30, 2019 and 2018 to be approximately $1,536,000 and $1,345,000, respectively, which is included in other liabilities on the combined statements of net position.

NOTE 12 CONCENTRATION OF CREDIT RISK

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

	2019	2018
Medicare	33 %	30 %
Medicaid	16	12
State of Illinois - Commercial	6	10
Blue Cross	8	13
Other Third-Party Payors	20	22
Patients	17	13
Total	100 %	100 %

The hospital estimates its accounts receivable from the State of Illinois Insurance and Medicaid contracts at approximately $6,217,000 and $8,925,000 at April 30, 2019 and 2018, respectively.

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NOTE 12 CONCENTRATION OF CREDIT RISK (CONTINUED)

The hospital believes the net realizable value estimate is reasonable and collectible, but ultimately the amount and timing of payment from the state is subject to the funds being available to pay on accounts.

NOTE 13 MALPRACTICE INSURANCE

During the current year, the Medical Center was insured for professional and general liability insurance coverage on a claims-made basis through the Illinois Providers' Trust (IPT). A claims-made policy covers the Medical Center for only those claims reported to IPT within reporting periods as defined in the policy. The estimated net liability accrued for unpaid losses and incurred but not reported claims for the years ended April 30, 2019 and 2018 was $1,697,701 and $1,483,323, respectively. IPT is a risk pooling arrangement among tax-exempt, nonprofit entities designed to protect against the risk of financial loss due to the imposition of legal liability, which was established under the Illinois Religious and Charitable Risk Pooling Trust Act. Funding is based on actuarially determined funding requirements.

The provision for insurance is based on the Medical Center's experience and future premiums can be adjusted for favorable or unfavorable retrospective experience.

Prior to joining IPT, the Medical Center purchased professional and general liability insurance to cover medical malpractice claims. The policy was a claims-made policy that had a retroactive date of May 1, 1979. The Medical Center purchases separate professional liability insurance to cover medical malpractice claims for specific employed physicians. The policies are claims-made policies that have retroactive dates of May 1, 1979.

There are known claims from services provided to patients. The claims appear to be covered claims, and are in various stages of the discovery process and investigation.

NOTE 14 WORKERS' COMPENSATION INSURANCE

The Medical Center estimates a liability for accrued workers' compensation insurance. There are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted. The Medical Center contracted an independent actuary to estimate the ultimate costs of the settlement of such claims. Accrued workers' compensation losses, in management's opinion, provide an adequate reserve for loss contingencies. The estimated liability accrued for workers' compensation insurance for the years ended April 30, 2019 and 2018 was $530,027 and $472,581, respectively.

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NOTE 15 ADOPTION OF NEW ACCOUNTING STANDARD

During the year ended April 30, 2019, the Medical Center adopted an accounting standard for *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"* in the basic combined financial statements, as described in Note 1. This standard was retroactively applied to the basic combined financial statements for the year ending April 30, 2018, as reflected in the April 30, 2018 combined statements of net position and combined statements of revenues, expenses, and changes in net position as follows:

	As Previously Reported	Retroactive Adjustments	As Restated
Statement of Net Position			
Net Deferred OPEB Outflow of Resources	$ -	$ 1,075	$ 1,075
Net Deferred OPEB Inflow of Resources	$ -	$ (564)	$ (564)
Net OPEB Liability	$ (1,108,523)	$ (1,201,318)	$ (2,309,841)
Total Net Position	$ 127,285,416	$ (1,200,807)	$ 126,084,609
Statements of Revenues, Expenses and Changes in Net Position			
Change in Benefit Expense	$ -	$ (35,540)	$ (35,540)
Change in Net Position	$ 10,393,658	$ 35,540	$ 10,429,198
Total Net Position - May 1, 2017	$ 116,891,758	$ (1,236,347)	$ 115,655,411

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CITY OF STERLING, ILLINOIS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST FIVE CALENDAR YEARS

	Calendar Year Ended December 31,				
	2018	2017	2016	2015	2014
Total Pension Liability:					
Service Cost	$ 2,211,694	$ 2,305,057	$ 2,377,014	$ 2,401,636	$ 2,688,381
Interest on the Total Pension Liability	11,930,332	11,681,117	11,151,454	10,583,101	9,684,896
Changes of Benefit Terms	-	-	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	55,489	1,200,079	(145,657)	150,170	(1,238,647)
Changes of Assumptions	4,772,554	(4,543,564)	(3,505,817)	-	6,597,464
Benefit Payments, Including Refunds of Employee Contributions	(7,675,256)	(6,881,204)	(5,999,102)	(4,717,340)	(3,767,623)
Net Change in Total Pension Liability	11,294,813	3,761,485	3,877,892	8,417,567	13,964,471
Total Pension Liability - Beginning	161,802,876	158,031,199	154,153,307	145,735,740	131,771,269
Total Pension Liability - Ending (A)	$ 173,097,689	$ 161,792,684	$ 158,031,199	$ 154,153,307	$ 145,735,740
Plan Fiduciary Net Position:					
Contributions - Employer	$ 5,573,265	$ 5,432,288	$ 5,145,673	$ 4,757,486	$ 4,409,208
Contributions - Employees	1,134,851	1,191,261	1,022,168	963,680	967,607
Net Investment Income	(5,549,903)	15,182,555	6,296,226	432,684	4,900,971
Benefit Payments, including Refunds of Employee Contributions	(7,675,256)	(6,881,204)	(5,999,102)	(4,717,340)	(3,767,623)
Other (Net Transfer)	2,621,380	333,515	1,025,185	3,976,765	(14,389)
Net Change in Plan Fiduciary Net Position	(3,895,663)	15,258,415	7,490,150	5,413,275	6,495,774
Plan Fiduciary Net Position - Beginning	113,805,587	98,938,382	91,448,232	86,034,957	79,539,183
Plan Fiduciary Net Position - Ending (B)	$ 109,909,924	$ 114,196,797	$ 98,938,382	$ 91,448,232	$ 86,034,957
Net Pension Liability - Ending (A) - (B)	$ 63,187,765	$ 47,595,887	$ 59,092,817	$ 62,705,075	$ 59,700,783
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.26%	70.34%	62.61%	59.32%	59.03%
Covered Valuation Payroll	$ 23,852,057	$ 22,742,536	$ 21,017,441	$ 21,167,464	$ 20,885,781
Net Pension Liability as a Percentage of Covered Valuation Payroll	266.60%	211.05%	281.16%	296.23%	285.84%

Note to Schedule: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
APRIL 30, 2019

Year Ending December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a Percentage of Covered Valuation Payroll
2019	$ 5,528,907	$ 5,573,265	$ (44,358)	$ 23,852,057	23.37 %
2018	5,360,416	5,432,288	(71,872)	22,742,536	23.89
2017	5,136,663	5,145,673	(9,010)	21,017,441	24.48
2016	4,718,228	4,757,486	(39,258)	21,167,464	22.48
2015	4,233,548	4,409,208	(175,660)	20,885,781	21.11

Note to Schedule: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

Attachment – 33A

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
SCHEDULE OF EMPLOYER CONTRIBUTIONS (CONTINUED)
APRIL 30, 2019

Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2018 Contribution Rate*

Methods and Assumptions Used to Determine 2018 Contribution Rates

Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Market Value of Assets
Price Inflation:	2.50%
Salary Increases:	3.39% to 14.25%
Investment Rate of Return:	7.25%
Retirement Age:	Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2017 valuation pursuant to an experience study of the period 2014 to 2016.
Mortality:	For nondisabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-Disabled retirees Mortality Table applying the same adjustment that were applied for nondisabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other Information

Note: There were no benefit changes during the year.

Attachment – 33A

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
APRIL 30, 2019

Total OPEB Liability (TOL):	4/30/2019	4/30/2018
Service Cost	$ 50,952	$ 68,400
Interest Cost	68,319	86,267
Change in Benefit Terms	-	-
Difference between Expected and Actual	(36,518)	(606)
Changes in Assumptions or Inputs	(358,333)	1,156
Benefit Payments	(145,340)	(190,246)
Total Change	$ (420,920)	$ (35,029)
TOL at Beginning of Year	$ 2,309,841	$ 2,344,870
TOL at End of Year	$ 1,888,921	$ 2,309,841
Plan Fiduciary Net Position		
CGH's Plan is not funded.	-	-
Net OPEB Liability at End of Year	$ 1,888,921	$ 2,309,841
Plan Fiduciary Net Position as % of TOL	0%	0%
Covered-Employee Payroll	$ 68,026,747	$ 67,275,387
Net OPEB Liability as % of Covered Payroll	2.78%	3.43%

Note to Schedule: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available

Attachment – 33A

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
COMBINING STATEMENT OF NET POSITION
APRIL 30, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	CGH Medical Center	Rock River Health, Inc.	CGH Health Foundation, Inc.	Eliminations	Total
CURRENT ASSETS					
Cash and Cash Equivalents	$ 43,243,243	$ 10,489	$ 205,674	$ -	$ 43,459,406
Patient Accounts Receivable, Less Allowance for Uncollectible Accounts	27,174,623	-	-	-	27,174,623
Other Receivables	1,230,653	-	-	-	1,230,653
Estimated Third-Party Payor Settlements Receivable	740,892	-	-	-	740,892
Due from Beneficial Interest	115,587	-	-	-	115,587
Intercompany Receivables	81,384	-	-	(81,384)	-
Inventories	4,471,800	-	-	-	4,471,800
Accrued Interest Receivable	337,351	-	53,543	-	390,894
Prepaid Expenses	2,876,850	-	1,471	-	2,878,321
Total Current Assets	80,272,383	10,489	260,688	(81,384)	80,462,176
OTHER ASSETS					
Investments	74,792,232	-	-	-	74,792,232
Assets Limited as to Use	94,579	-	6,554,466	-	6,649,045
Capital Assets, Net	73,308,110	-	-	-	73,308,110
Other Assets	547,569	-	-	-	547,569
Beneficial Interest in Affiliates	4,590,185	-	-	-	4,590,185
Net Equity in Component Units	6,744,255	-	-	(6,744,255)	-
Total Other Assets	160,076,930	-	6,554,466	(6,744,255)	159,887,141
Total Assets	240,349,313	10,489	6,815,154	(6,825,639)	240,349,317
DEFERRED OUTFLOWS OF RESOURCES					
Pension Related Deferred Outflows	17,507,885	-	-	-	17,507,885
Non-Pension Related Deferred Outflows	995				995
Total Deferred Outflows of Resources	17,508,880	-	-	-	17,508,880
Total Assets and Deferred Outflows of Resources	$ 257,858,193	$ 10,489	$ 6,815,154	$ (6,825,639)	$ 257,858,197

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
COMBINING STATEMENT OF NET POSITION (CONTINUED)
APRIL 30, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	CGH Medical Center	Rock River Health, Inc.	CGH Health Foundation, Inc.	Eliminations	Total
CURRENT LIABILITIES					
Accounts Payable	$ 4,220,850	$ -	$ -	$ -	$ 4,220,850
Accrued Salaries, Wages, and Benefits	11,792,414	-	-	-	11,792,414
Accrued Malpractice	1,697,701	-	-	-	1,697,701
Current Maturities of Bonds Payable	2,930,000	-	-	-	2,930,000
Estimated Third-Party Payor Settlements Payable	10,398,450	-	-	-	10,398,450
Other Current Liabilities	2,918,452	-	-	-	2,918,452
Intercompany Payables	-	-	81,384	(81,384)	-
Total Current Liabilities	33,957,867	-	81,384	(81,384)	33,957,867
LONG-TERM LIABILITIES					
Bonds Payable, Less Current Maturities and Net of Unamortized Premium of $642,186	10,232,186	-	-	-	10,232,186
Net Pension Liability	63,187,765	-	-	-	63,187,765
Net Other Post Employement Benefit Liability	1,888,921	-	-	-	1,888,921
Total Long-Term Liabilities	75,308,872	-	-	-	75,308,872
DEFERRED INFLOWS OF RESOURCES					
Pension Related Deferred Inflows	8,749,089	-	-	-	8,749,089
Non-Pension Related Deferred Inflows	358,471				358,471
Total Deferred Inflows of Resources	9,107,560	-	-	-	9,107,560
Total Liabilities and Deferred Inflows of Resources	118,374,299	-	81,384	(81,384)	118,374,299
NET POSITION					
Net Investment in Capital Assets	59,699,113	-	-	-	59,699,113
Restricted for:					
Health Development	94,579	-	6,554,466	-	6,649,045
Unrestricted	79,690,202	10,489	179,304	(6,744,255)	73,135,740
Total Net Position	139,483,894	10,489	6,733,770	(6,744,255)	139,483,898
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 257,858,193	$ 10,489	$ 6,815,154	$ (6,825,639)	$ 257,858,197

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
COMBINING STATEMENT OF NET POSITION
APRIL 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	CGH Medical Center	Rock River Health, Inc.	CGH Health Foundation, Inc.	Eliminations	Total
CURRENT ASSETS					
Cash and Cash Equivalents	$ 34,738,574	$ 10,360	$ 276,590	$ -	$ 35,025,524
Patient Accounts Receivable, Less Allowance for Uncollectible Accounts	25,721,962	-	-	-	25,721,962
Other Receivables	1,884,736	-	-	-	1,884,736
Estimated Third-Party Payor Settlements Receivable	2,336,391	-	-	-	2,336,391
Due from Beneficial Interest	113,005	-	-	-	113,005
Intercompany Receivables	139,407	-	-	(139,407)	-
Inventories	4,249,574	-	-	-	4,249,574
Accrued Interest Receivable	280,481	-	20,242	-	300,723
Prepaid Expenses	2,414,971	-	1,629	-	2,416,600
Total Current Assets	71,879,101	10,360	298,461	(139,407)	72,048,515
OTHER ASSETS					
Investments	73,181,353	-	-	-	73,181,353
Assets Limited as to Use	82,010	-	6,286,761	-	6,368,771
Capital Assets, Net	70,594,939	-	-	-	70,594,939
Other Assets	758,234	-	-	-	758,234
Beneficial Interest in Affiliates	4,641,721	-	-	-	4,641,721
Net Equity in Component Units	6,456,175	-	-	(6,456,175)	-
Total Other Assets	155,714,432	-	6,286,761	(6,456,175)	155,545,018
Total Assets	227,593,533	10,360	6,585,222	(6,595,582)	227,593,533
DEFERRED OUTFLOWS OF RESOURCES					
Pension Related Deferred Outflows	6,971,322	-	-	-	6,971,322
Non-Pension Related Deferred Outflows	1,075				1,075
	6,972,397	-	-	-	6,972,397
Total Assets and Deferred Outflows of Resources	$ 234,565,930	$ 10,360	$ 6,585,222	$ (6,595,582)	$ 234,565,930

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
COMBINING STATEMENT OF NET POSITION (CONTINUED)
APRIL 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	CGH Medical Center	Rock River Health, Inc.	CGH Health Foundation, Inc.	Eliminations	Total
CURRENT LIABILITIES					
Accounts Payable	$ 4,890,844	$ -	$ -	$ -	$ 4,890,844
Accrued Salaries, Wages, and Benefits	10,972,527	-	-	-	10,972,527
Accrued Malpractice	1,483,323	-	-	-	1,483,323
Current Maturities of Bonds Payable	2,830,000	-	-	-	2,830,000
Estimated Third-Party Payor Settlements Payable	10,226,443	-	-	-	10,226,443
Other Current Liabilities	2,669,977	-	-	-	2,669,977
Intercompany Payables	-	-	139,407	(139,407)	-
Total Current Liabilities	33,073,114	-	139,407	(139,407)	33,073,114
LONG-TERM LIABILITIES					
Bonds Payable, Less Current Maturities and Net of Unamortized Premium of $821,401	13,341,401	-	-	-	13,341,401
Net Pension Liability	47,595,887	-	-	-	47,595,887
Net Other Post Employement Benefit Liability	2,309,841				2,309,841
Total Long-Term Liabilities	63,247,129	-	-	-	63,247,129
DEFERRED INFLOWS OF RESOURCES					
Pension Related Deferred Inflows	12,160,514	-	-	-	12,160,514
Non-Pension Related Deferred Inflows	564				564
	12,161,078	-	-	-	12,161,078
Total Assets and Deferred Outflows of Resources	108,481,321	-	139,407	(139,407)	108,481,321
NET POSITION					
Net Investment in Capital Assets	53,126,593	-	-	-	53,126,593
Restricted for:					6,368,771
Unrestricted Health Development	72,876,006 82,010	10,360	159,054 6,286,761	(6,456,175)	66,589,245
Total Net Position	$ 126,084,609	$ 10,360	$ 6,445,815	$ (6,456,175)	$ 126,084,609
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 234,565,930	$ 10,360	$ 6,585,222	$ (6,595,582)	$ 234,565,930

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED APRIL 30, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	CGH Medical Center	Rock River Health, Inc.	CGH Health Foundation, Inc.	Eliminations	Total
OPERATING REVENUES					
Net Patient Service Revenues, Net of Provision for Bad Debts	$ 231,225,518	$ 3,039	$ -	$ -	$ 231,228,557
Other Operating Revenues	7,761,015	-	-	-	7,761,015
Total Operating Revenues	238,986,533	3,039	-	-	238,989,572
OPERATING EXPENSES					
Salaries and Wages	97,885,350	-	97,151	-	97,982,501
Employee Benefits	22,568,289	-	54,514	-	22,622,803
Medical Fees	11,942,982	-	-	-	11,942,982
Patient Service Supplies	45,879,759	-	4,164	-	45,883,923
Utilities	2,118,864	-	-	-	2,118,864
Purchased Services	7,082,517	-	2,198	-	7,084,715
Repairs and Maintenance	7,923,834	-	3,821	-	7,927,655
Depreciation and Amortization	11,410,343	-	-	-	11,410,343
Insurance	2,594,202	-	-	-	2,594,202
Rental Expense	933,610	-	-	-	933,610
Other	7,011,664	3,009	37,808	-	7,052,481
Total Operating Expenses	217,351,414	3,009	199,656	-	217,554,079
OPERATING INCOME (LOSS) BEFORE PENSION RELATED EXPENSE	21,635,119	30	(199,656)	-	21,435,493
Employee Benefits, Pension Obligation	10,519,482	-	18,429	-	10,537,911
OPERATING INCOME (LOSS)	11,115,637	30	(218,085)	-	10,897,582
NONOPERATING REVENUES (EXPENSES)					
Contribution Revenue	(10)	-	443,305	-	443,295
Contributions (Paid)	(220,806)	-	(380,733)	-	(601,539)
Investment Income	2,844,912	99	443,468	-	3,288,479
Interest Expense	(364,353)	-	-	-	(364,353)
Change in Beneficial Interest in Affiliates	286,549	-	-	(288,080)	(1,531)
Loss on Disposal of Capital Assets	(50,014)	-	-	-	(50,014)
Total Nonoperating Revenues (Expenses)	2,283,648	99	506,040	(288,080)	2,501,707
CHANGE IN NET POSITION	13,399,285	129	287,955	(288,080)	13,399,289
Net Position - Beginning of Year	126,084,609	10,360	6,445,815	(6,456,175)	126,084,609
NET POSITION - END OF YEAR	$ 139,483,894	$ 10,489	$ 6,733,770	$ (6,744,255)	$ 139,483,898

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED APRIL 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

	CGH Medical Center	Rock River Health, Inc.	CGH Health Foundation, Inc.	Eliminations	Total
OPERATING REVENUES					
Net Patient Service Revenues, Net of Provision for Bad Debts	$ 223,541,348	$ 8,810	$ -	$ -	$ 223,550,158
Other Operating Revenues	2,890,017	-	-	-	2,890,017
Total Operating Revenues	226,431,365	8,810	-	-	226,440,175
OPERATING EXPENSES					
Salaries and Wages	97,286,546	-	101,162	-	97,387,708
Employee Benefits	24,130,287	-	54,576	-	24,184,863
Medical Fees	11,436,739	-	-	-	11,436,739
Patient Service Supplies	39,008,187	-	6,229	-	39,014,416
Utilities	1,980,921	-	-	-	1,980,921
Purchased Services	5,618,823	-	2,620	-	5,621,443
Repairs and Maintenance	8,209,722	-	2,841	-	8,212,563
Depreciation and Amortization	11,112,367	-	108	-	11,112,475
Insurance	2,190,701	-	-	-	2,190,701
Rental Expense	899,448	-	-	-	899,448
Other	7,206,630	11,401	44,191	-	7,262,222
Total Operating Expenses	209,079,271	11,401	211,727	-	209,302,399
OPERATING INCOME (LOSS) BEFORE PENSION RELATED EXPENSE	17,352,094	(2,591)	(211,727)	-	17,137,776
Employee Benefits, Pension Obligation	8,196,882	-	18,854	-	8,215,736
OPERATING INCOME (LOSS)	9,155,212	(2,591)	(230,581)	-	8,922,040
NONOPERATING REVENUES (EXPENSES)					
Contribution Revenue	49,788	-	509,004	-	558,792
Contributions (Paid)	(351,844)		(339,795)		(691,639)
Investment Income	1,831,835	103	612,632	-	2,444,570
Interest Expense	(448,053)	-	-	-	(448,053)
Loss on Disposal of Capital Assets	(187,092)	-	-	-	(187,092)
Change in Benefical Interest in Affiliates	379,352	-	-	(548,772)	(169,420)
Total Nonoperating Revenues (Expenses)	1,273,986	103	781,841	(548,772)	1,507,158
CHANGE IN NET POSITION	10,429,198	(2,488)	551,260	(548,772)	10,429,198
Net Position - Beginning of Year - As Originally Reported	116,891,758	12,848	5,894,555	(5,907,403)	116,891,758
Cumulative Effect - Adoption of Accounting Standard	(1,236,347)	-	-	-	(1,236,347)
Net Position - Beginning of Year - As Restated	115,655,411	12,848	5,894,555	(5,907,403)	115,655,411
NET POSITION - END OF YEAR	$ 126,084,609	$ 10,360	$ 6,445,815	$ (6,456,175)	$ 126,084,609

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
SCHEDULE OF COMMUNITY BENEFITS (UNAUDITED)
YEAR ENDED APRIL 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

COMMUNITY BENEFITS FISCAL YEAR 2019 - UNAUDITED

In line with its mission and commitment to the community, the Medical Center provides services to patients without regard to their ability to pay for those services. The Medical Center has a Charity Services Policy (the Policy) for both the uninsured and the underinsured. Under the Policy, patients are offered discounts of up to 100% of charges on a sliding scale, which is based both on the patient's income as a percentage of the Federal Poverty Level guidelines and the charges for services rendered. The Medical Center receives no payment or a payment that is less than the full cost of providing the services for the patients under the Policy. The amount of charges determined to be charity are not recorded as net patient service revenues.

In some instances, the Medical Center will not receive payment for the services provided and has not received the necessary information from the patient in order to determine the patient's charitable assistance status. These charges are the basis for estimating the amount of patient revenue the Medical Center will not collect and therefore report as bad debt expense.

The Medical Center maintains records to identify and monitor the level of charity care it provides.

The Medical Center's estimated total cost of uncompensated care relating to these services and other services are as follows for the years ended April 30:

	2019	2018
Medicare and Medicaid Shortfalls at Cost	$ 38,200,000	$ 35,100,000
Charity Care at Cost	3,600,000	3,500,000
Uncollectible Amounts at Cost	2,500,000	2,400,000
Total Cost of Uncompensated Care	$ 44,300,000	$ 41,000,000

The cost of uncompensated care is estimated using the Medical Center's overall cost to charge ratios. The uncompensated care cost of state Medicaid and other public aid programs is determined by computing the cost of providing that care less amounts paid by the programs.

Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, they are not reported in net patient service revenue. Charges excluded from revenue under the Medical Center's charity care policy were approximately $3,869,000 and $3,711,000 at April 30, 2019 and 2018, respectively.

Attachment – 33A

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS

COMBINED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEARS ENDED APRIL 30, 2018 AND 2017

Attachment – 33B

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
TABLE OF CONTENTS
YEARS ENDED APRIL 30, 2018 AND 2017

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INDEPENDENT AUDITORS' REPORT

Board of Directors
CGH Medical Center
Sterling, Illinois

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of CGH Medical Center, a component unit of the City of Sterling, Illinois, which comprise the combined statements of net position as of April 30, 2018 and 2017, and the related combined statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

Board of Directors
CGH Medical Center

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of CGH Medical Center as of April 30, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 15 and the schedule of changes in the net pension liability and related ratios on page 47 and schedule of employer contributions on page 48 be presented to supplement the combined financial statements. Such information, although not a part of the combined financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the combined 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 combined financial statements, and other knowledge we obtained during our audit of the combined financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on CGH Medical Center's combined financial statements. The accompanying supplementary information on pages 50 through 55 is presented for purposes of additional analysis and is not a required part of the combined financial statements. The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

The other information on page 56 has not been subjected to the auditing procedures applied in the audit of the combined financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Dixon, Illinois
July 25, 2018

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED APRIL 30, 2018 AND 2017

Introduction

The following discussion and analysis provides an overview of the financial position and activities of CGH Medical Center (CGH or the Medical Center) for the fiscal years ended April 30, 2018 and April 30, 2017. This discussion has been prepared by management and should be read in conjunction with the combined financial statements and the notes thereto, which follow this section.

CGH Medical Center is a progressive acute care facility located in the Rock River Valley region of Northern Illinois. Since opening in 1909, the Medical Center has earned a strong reputation throughout the region and consistently receives high ratings for delivering quality care to our community, positive public awareness and high patient and employee satisfaction. CGH Medical Center is committed to meeting expanding patient needs and to providing leadership in the field of healthcare. This includes broad scale public education and free to low cost early detection activities. The Medical Center employs approximately 1,500 people and the medical staff consists of 140 physicians specializing in 35 areas of medicine.

Inpatient services include a 29-bed medical unit, a 21-bed surgical unit, 10 birthing center suites, 6 pediatric beds, 2 nursery level II beds, and 18 CCU/Telemetry beds. Outpatient services include two state-of-the-art Cath Labs and a CAP accredited laboratory. Diagnostic imaging services include a PET Scanner, 64 ring CT scanner, nuclear medicine, ultrasound, digital mammography, and an in-house high field MRI. In addition, CGH offers an ambulatory surgical center, a digestive disease center, a pain management clinic, physical and occupational therapy, a diabetic education department, a wound care center, pre-hospital paramedic level EMS, and a 24-hour trauma ready emergency department (ED). The ED features 26 private treatment rooms, 6 easy care areas, 2 new trauma rooms, secured access, and streamlined registration. CGH also offers its own day care center adjacent to the campus.

CGH Medical Center has ambulatory clinics in ten communities in Northwest Illinois including Sterling, Rock Falls, Morrison, Tampico, Prophetstown, Walnut, Polo, Milledgeville, Dixon, Mount Carroll, and a Ready Care Clinic in Sterling.

Operational Highlights

CGH Medical Center is a nonprofit, city-owned hospital located in Sterling that serves a five-county region in Northwestern Illinois. The Medical Center enjoys a 65% market share in its primary service area. Licensed for 99 beds, the Medical Center has provided the following services to patients over the past two fiscal years:

	Fiscal Year 2018	Fiscal Year 2017	Percent Change
Inpatient Admissions	4,657	4,628	0.6 %
Patient Days	14,016	14,343	(2.3)
Emergency Room Visits	27,825	28,478	(2.3)
Surgical Cases	4,367	4,178	4.5
Cardiac Cath Lab Procedures	636	664	(4.2)
Babies Delivered	575	553	4.0
Physician Office Visits	235,462	237,431	(0.8)

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED APRIL 30, 2018 AND 2017

Operational Highlights (Continued)

CGH medical Center continues to strive to improve the overall health of the communities we serve. In conjunction with the roll out of the Affordable Care Act (ACA) and Value Based Purchasing programs implemented by the Centers for Medicare and Medicaid Services (CMS), CGH has put in place numerous community health and wellness programs. These programs include the Community Health Network (CHN). One of the many tasks of the CHN is to assist patients outside of the hospital and clinics to manage their chronic conditions. The nurses or health coaches who are part of the CHN assist patients with education, medication assistance programs, or dietary needs to better manage their diseases.

During the past few years, CGH has made a number of significant improvements to its facilities including the renovation of the Surgical Floor, Medical, and Pediatric Units. CGH updated or added to some of the ambulatory clinics, including the addition of an office in Mount Carroll, Illinois, as well as increasing Clinic hours in Milledgeville, Ready Care, and Walnut. In the current year, CGH also added physical therapy services to the Morrison Clinic location.

A few of the ongoing projects include the construction of the new clinic in Rock Falls, Illinois, renovation of the ambulatory surgical unit, expansion and renovation of the Ready Care Clinic and professional building located in Sterling, and the addition of a hybrid operating room suite with advanced technology for vascular procedures. CGH has committed to the development of a master facility plan to ensure our facilities are well maintained and properly designed to handle the evolving needs of the healthcare services provided to our communities. CGH also replaced its high field MRI with the latest technology, this will significantly improve the image quality of the studies provided to our patients.

Over the past few years, CGH has partnered with other health centers and providers to add teleservices for Behavioral Health and Stroke. These additions will assist our physicians to deliver the highest and most timely level of care possible. CGH also has an Electronic Intensive Care Unit (EICU) to ensure critically ill patients have access to board Certified Intensivists 24 hours a day.

CGH Medical Center remains committed to using the latest technology to improve patient safety and outcomes. CGH is committed to implementing continuous changes within its EHR systems to meet the next stages of Meaningful Use and assist our physicians and staff in their mission to deliver high quality care. These changes include improvements to the patient's access to information through the patient portal, and improving the exchange of patient information with other health centers.

Financial Highlights

The Medical Center takes its financial stewardship responsibility seriously and works hard to manage its financial resources effectively, including the prudent use of debt to finance capital projects.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED APRIL 30, 2018 AND 2017

Financial Highlights (Continued)

The Medical Center's financial position remains strong, with assets and deferred outflows of $234.6 million and liabilities and deferred inflows of $107.3 million at April 30, 2018, compared to assets and deferred outflows of $228.4 million and liabilities and deferred inflows of $111.5 million at April 30, 2017. Net position, which represents the residual interest in the Medical Center's assets after liabilities are deducted, totaled $127.3 million at April 30, 2018 as compared to $116.9 million at April 30, 2017. The following table summarizes changes in select financial ratios for the Medical Center:

	Fiscal Year 2018	Fiscal Year 2017	Percent Change	Industry Guideline (BBB+)
Operating Margin (%)	3.9 %	4.1 %	(3.2)%	1.4 %
Excess Margin (%)	4.6 %	4.2 %	8.5	3.7 %
Current Ratio	2.1	2.7	(21.3)	2.2
Days Cash on Hand	191.3	181.5	5.4	183.7
Days in Accounts Receivable, Net	42.0	56.6	(25.9)	44.7
Debt to Capitalization (%)	9.5 %	12.3 %	(22.7)	27.7 %
Average Age of Plant	12.0	10.8	11.2	12.0
EBIDA Margin (%)	9.7 %	10.0 %	(2.7)	10.2 %

Required Financial Statements

The statements of net position, the statements of revenues, expenses and changes in net position, and the statements of cash flows report information about the Medical Center's activities. These statements report the net position of the Medical Center and changes in them. Increases or improvements, as well as decreases or declines in the net position, are one indicator of the financial state of the Medical Center. Other nonfinancial factors that should also be considered include changes in economic conditions, population growth (including aging trends and growth in the uninsured), and new or changed government legislation.

Financial Analysis of the Medical Center

The following table summarizes the changes in CGH Medical Center's assets, liabilities, and net position as of April 30, 2018 and 2017:

Condensed Statements of Net Position
(in Millions)

	Fiscal Year 2018	Fiscal Year 2017	Dollar Change	Percent Change
Current and Other Assets	$ 157.0	$ 150.6	$ 6.4	4.2 %
Capital Assets, Net	70.6	68.8	1.8	2.6
Deferred Outflows	7.0	9.0	(2.0)	(22.2)
Total Assets and Deferred Outflows	$ 234.6	$ 228.4	$ 6.2	2.7

Attachment – 33B

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED APRIL 30, 2018 AND 2017

Financial Analysis of the Medical Center (Continued)

Condensed Statements of Net Position
(in Millions)

	Fiscal Year 2018	Fiscal Year 2017	Dollar Change	Percent Change
Long-Term Debt Outstanding	$ 63.8	$ 78.2	$ (14)	(18.4)%
Other Liabilities	31.3	30.0	1.3	4.3
Deferred Inflows	12.2	3.3	8.9	269.7
Total Liabilities and Deferred Inflows	107.3	111.5	(4.2)	(3.8)
Net Position:				
Investment in Capital Assets	53.1	49.1	4.0	8.1
Restricted	6.4	5.8	0.6	10.3
Unrestricted	67.8	62.0	5.8	9.4
Total Net Position	127.3	116.9	10.4	8.9
Total Liabilities, Deferred Inflows and Net Position	$ 234.6	$ 228.4	$ 6.2	2.7

The following table summarizes the changes in CGH Medical Center's assets, liabilities, and net position as of April 30, 2017 and 2016:

Condensed Statements of Net Position
(in Millions)

	Fiscal Year 2017	Fiscal Year 2016	Dollar Change	Percent Change
Current and Other Assets	$ 150.6	$ 139.1	$ 11.5	8.3 %
Capital Assets, Net	68.8	74.5	(5.7)	(7.7)
Deferred Outflows	9.0	11.3	(2.3)	(20.4)
Total Assets and Deferred Outflows	$ 228.4	$ 224.9	$ 3.5	1.6
Long-Term Debt Outstanding	$ 78.2	$ 86.3	$ (8.1)	(9.4)%
Other Liabilities	30.0	30.0	-	-
Deferred Inflows	3.3	0.7	2.6	371.4
Total Liabilities and Deferred Inflows	111.5	117.0	(5.5)	(4.7)
Net Position:				
Investment in Capital Assets	49.1	50.9	(1.8)	(3.5)
Restricted	5.8	5.4	0.4	7.4
Unrestricted	62.0	51.6	10.4	20.2
Total Net Position	116.9	107.9	9.0	8.3
Total Liabilities, Deferred Inflows and Net Position	$ 228.4	$ 224.9	$ 3.5	1.6

Attachment – 33B

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED APRIL 30, 2018 AND 2017

Financial Analysis of the Medical Center (Continued)

During fiscal year 2018, CGH Medical Center's net position increased by $10.4 million. Factors contributing to this increase are discussed in the following analysis of the Medical Center's Condensed Statements of Revenues, Expenses, and Changes in Net Position:

Condensed Statements of Revenues, Expenses, and Changes in Net Position
(In Millions)

	Fiscal Year 2018	Fiscal Year 2017	Dollar Change	Percent Change
Net Patient Services Revenues	$ 223.5	$ 211.5	$ 12.0	5.7 %
Other Operating Revenues	2.9	2.9	-	-
Total Operating Revenues	226.4	214.4	12.0	5.6
Operating Expenses	206.4	194.0	12.4	6.4
Depreciation and Amortization	11.1	11.7	(0.6)	(5.1)
Total Operating Expenses	217.5	205.7	11.8	5.7
Operating Income	8.9	8.7	0.2	2.3
Nonoperating Revenues (Expenses), Net	1.5	0.3	1.2	400.0
Change in Net Position	$ 10.4	$ 9.0	$ 1.4	15.6

During fiscal year 2017, CGH Medical Center's net position increased by $9.0 million. Factors contributing to this increase are discussed in the following analysis of the Medical Center's Condensed Statements of Revenues, Expenses, and Changes in Net Position.

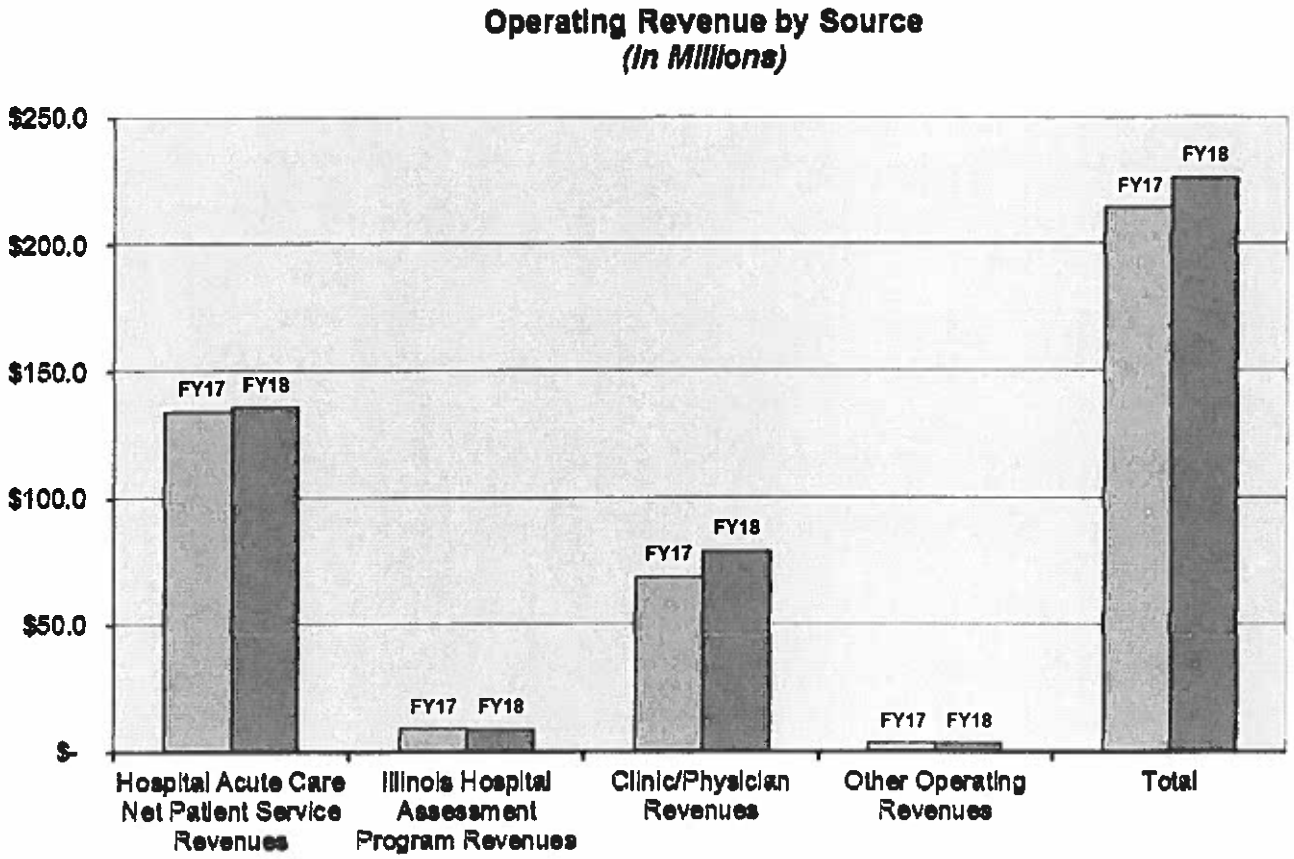
Condensed Statements of Revenues, Expenses, and Changes in Net Position
(in Millions)

	Fiscal Year 2017	Fiscal Year 2016	Dollar Change	Percent Change
Net Patient Services Revenues	$ 211.5	$ 219.3	$ (7.8)	(3.6)%
Other Operating Revenues	2.9	4.3	(1.4)	(32.6)
Total Operating Revenues	214.4	223.6	(9.2)	(4.1)
Operating Expenses	194.0	189.6	4.4	2.3
Depreciation and Amortization	11.7	12.2	(0.5)	(4.1)
Total Operating Expenses	205.7	201.8	3.9	1.9
Operating Income	8.7	21.8	(13.1)	(60.1)
Nonoperating Revenues (Expenses), Net	0.3	0.4	(0.1)	(25.0)
Change in Net Position	$ 9.0	$ 22.2	$ (13.2)	(59.5)

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED APRIL 30, 2018 AND 2017

Operating Revenues

The following chart presents the distribution of total operating revenues by source for the fiscal years ended April 30, 2018 and 2017:



The Medical Center derived approximately 60% of its total operating revenues from hospital based inpatient care and outpatient services, 4% from the Illinois Medicaid Hospital Assessment program, 35% from physician services, and 1% from other operating revenue sources which include lease revenues, cafeteria sales, and rental income. Significant fluctuations in revenue between fiscal years are noted in the discussion below.

The Medical Center continues to benefit from Illinois' gaining CMS approval for the Medicaid Hospital Assessment program. The Assessment program provides CGH with $8.5 million in supplemental federal payments to offset Medicaid shortfalls. Under current legislation, this Program is effective through June 30, 2020.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
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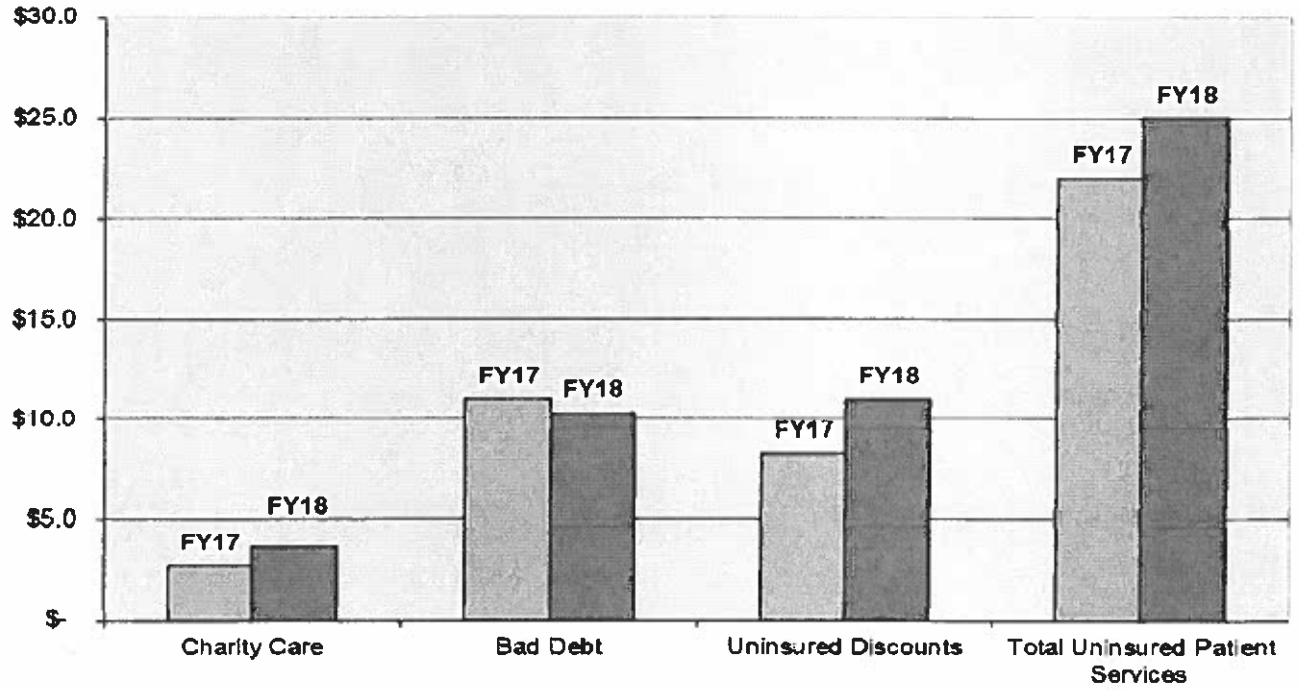
Payor Mix

As noted in the table below, the Medical Center's gross payor mix has some varying changes from the prior year. The Medical Center experienced a decrease in Medicaid and Commercial payors and an increase in Medicare and Blue Cross payors.

Payor	Fiscal Year 2018	Fiscal Year 2017	Percent Change
Medicare	48.5 %	48.1 %	0.4 %
Medicaid	17.4	18.5	(1.1)
Blue Cross	14.7	13.9	0.8
Commercial	15.9	16.4	(0.5)
Self-Pay	3.2	2.7	0.5
Other	0.3	0.4	(0.1)
Total	100.0 %	100.0 %	0.0%

Services provided to patients without a source of insurance (self-pay) or other financial means to pay for their healthcare have a major influence on the revenue and operating performance of a hospital. These services are generally comprised of charity care provided to patients who receive financial assistance and the write-off of bad debts. Often patients who end up with accounts in bad debt could have qualified for financial assistance but failed to apply. To assist patients without insurance, the Medical Center continues to implement a program that provides discounts to the uninsured. Total revenues foregone as charity care, bad debt, and uninsured discounts are reflected in the table below:

Patient Care Services Provided to the Uninsured
(In Millions)

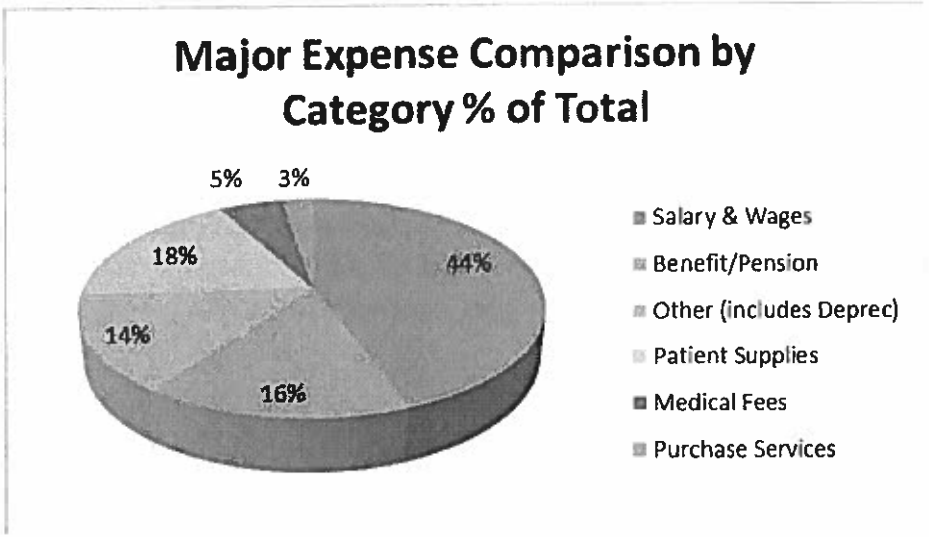


CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED APRIL 30, 2018 AND 2017

Payor Mix (Continued)

Charity care, bad debt, and self-pay discounts combined totaled $25.0 million which is a $3.0 million increase as compared to the prior fiscal year. The Affordable Care Act (ACA) has allowed states to expand Medicaid coverage to its residents who meet specific income level requirements. Effective January 1, 2014, Illinois expanded medical coverage to adults under the new ACA program.

Operating Expenses



Fiscal year 2018 operating expenses totaled $217.5 million. This represents a 5.7% increase over the previous fiscal year. Medical Center expense categories that experienced significant change include: salary and wages, employee benefits and patient supplies, as noted in the discussion below:

- Salary and wage increased approximately $5.4 million and is attributable to the following: the hiring of additional providers which resulted in increased production and thus compensation to the providers increased. Other factors affecting salaries include hiring of additional FTEs, annual merit increases, and market wage adjustments.

- Employee benefits increased $1.7 million due to medical and dental health insurance claims higher in fiscal year 2018.

- Patient supplies increased approximately $4.2 million primarily due to an increase in drug costs.

Nonoperating Activities

Nonoperating activities are comprised of donations received and contributions given by the CGH Health Foundation (the Foundation), income from investments offset by interest expense, gains or losses on asset disposals, and changes in the balances of the Medical Center's two beneficial interest in affiliates, as discussed in the notes to the combined financial statements.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
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Nonoperating Activities (Continued)

During fiscal year 2018, nonoperating revenues (expenses) increased by approximately $1.2 million as compared to the prior year.

Capital Assets

During fiscal year 2018, the Medical Center invested approximately $11.6 million in capital assets as compared to approximately $6.0 million in fiscal year 2017. A comparison of major capital asset classifications is noted in the table below:

Capital Assets
(in Millions)

	Fiscal Year 2018 Actual	Fiscal Year 2017 Actual	Dollar Variance	Percent Variance
Land and Land Improvements	$ 6.9	$ 6.9	$ -	- %
Building and Leasehold Improvements	91.1	90.1	1.0	1
Equipment	97.6	95.7	1.9	2
Subtotal	195.6	192.7	2.9	2
Less: Accumulated Depreciation	(131.7)	(125.4)	(6.3)	5
Construction in Progress	6.7	1.5	5.2	347
Total Capital Assets, Net	$ 70.6	$ 68.8	$ 1.8	3

Significant asset additions put into service during the fiscal year include the following:

a. Surgical Floor (2E) Renovation – $1,070,000 was put into service. The surgical floor was completely renovated including finish upgrade to patient rooms including upgraded exam and patient lighting, corridors, and common areas in addition to upgrades to the heating system. Patient bathrooms were also completely renovated.

b. Stryker OR Video Camera System – $501,000 was put into service. The current video system was replaced and upgraded bringing in new technology to allow surgeons to view video images in high definition.

c. LED Surgical Lights and Arms - $229,000 was put into service. The OR upgraded the surgical spot lighting to LED lighting.

d. Two Echo/Ultrasound machines and one Portable Echo/Ultrasound - $255,000 was put into service. Two echo/ultrasound machines were purchased to replace current machines that are used in the hospital and clinic and one new portable echo/ultrasound machine was purchased.

e. There has been a total investment of $6.7 million in the current fiscal year toward various projects that are not yet in service. Significant projects in process include the following: Hospital Billing System, $2,597,000; MRI replacement, $2,084,000; and Downtown Clinic Remodel, $795,000.

CGH MEDICAL CENTER
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MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED APRIL 30, 2018 AND 2017

Capital Assets (Continued)

Significant asset additions put into service during the prior fiscal year included the following:

a. Cerner App Tier Migration – $676,000 was put into service. Migration of the Cerner application nodes from HPUX to Linux and upgrade the Cerner code to the latest service pack level.

b. CCU Hardwire Patient Monitors - $291,000 was put into service. Critical care hardwire for the cardiac monitors were replaced.

c. Pyxis Anesthesia System - $246,000 was put into service. Seven Pyxis machines were purchased for placement in each of the OR rooms and the OB c-section room to replace the current manual system being used for the drug administration and labeling.

d. There has been a total investment of $1.5 million in the current fiscal year toward various projects that are not yet in service. Significant projects in process include the following: Hospital Billing System, $795,000; and GE Fetal Surveillance System, $146,000.

Smaller projects for both fiscal years include normal furniture and equipment replacements and upgrades to existing hardware and software applications.

Overall, net capital assets increased from the prior fiscal year by approximately $1.8 million.

Long-Term Liabilities

At fiscal 2018 year-end, the Medical Center had cumulative short-term and long-term debt and net pension liability of approximately $63.8 million, a decrease of approximately $14.4 million from the prior year. The Medical Center's long-term debt consists of City of Sterling General Obligation Refunding Bonds issued during fiscal year 2013.

More detailed information about the Medical Center's long-term liabilities is presented in the notes to the combined financial statements. Note that cumulative short-term and long-term debt represents 17.0% of the Medical Center's total liabilities as of year-end.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED APRIL 30, 2018 AND 2017

Community Contribution and Community Health Services

CGH Medical Center strives to effectively communicate its policies and procedures related to its community benefits in the area of discounted and free services for the medically indigent, frail elderly, and underserved populations of its service area. CGH provides public information on charity programs and assistance with the application process for public aid. The Medical Center maintains policies on discounting for patients who do not qualify for financial assistance and offers alternative means of payment. The financial impact of these programs is reported, at cost, in the table below and represents the amounts of subsidized services that are provided to patients in the community:

Statement of Community Contribution
(in Millions)

	Fiscal Year 2018	Fiscal Year 2017	Percent Variance
Benefits Provided to the			
Medicare Shortfall	$ 26.2	$ 19.3	35.8 %
Medicaid Shortfall	13.4	14.4	(6.9)
Charity Care	0.9	0.6	50.0
Bad Debt (Net of Recoveries)	2.4	2.6	(7.7)
Discounts to the Uninsured	2.6	2.0	30.0
Total	$ 45.5	$ 38.9	17.0

CGH Medical Center provides services without charge or at amounts less than its established rates, to patients who meet the criteria of its charity policy. The criteria for charity care considers family income, net worth, household size, financial status, and extent of financial obligations for healthcare services. Sliding scale discounts are provided based upon family size and household income.

The net cost of charity care provided was approximately $881,000 in 2018 and $641,000 in 2017. The total cost estimate is based on the Medicare cost to charge ratio for the most recently filed cost report. The IL Medicaid Expansion program continues to impact the cost of charity care as more patients are qualifying for Medicaid.

In 2018, 0.5% of all services provided in a physician office setting were provided on a charity basis. In 2017, 0.4% of services (similarly measured) were charity.

In 2018, 1.7% of all services provided in a hospital setting were provided on a charity basis. In 2017, 2.0% of services (similarly measured) were charity.

In 2018, 271 patients out of 53,945 unique patients seen in a physician clinic setting received charity care. In 2017, 242 patients out of 54,199 unique patients seen in a physician clinic setting received charity care. Of those 271 patients, 36% received their entire episode on a charity basis and 64% received a partial subsidy. In 2017, of a total 242 clinic patients, 48% received their entire episode on a charity basis and 52% received a partial subsidy.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED APRIL 30, 2018 AND 2017

Community Contribution and Community Health Services (Continued)

For services provided in 2018 in a hospital setting, 1,538 patients out of 88,501 patients seen received charity care. In 2017, 1,697 patients out of 87,004 patients seen in a hospital setting received charity care. In 2018, of a total 1,538 hospital patients, 27% received their entire episode on a charity basis and 73% received a partial subsidy. In 2017, of a total of 1,697 hospital patients, 25% received their entire episode on a charity basis and 75% received a partial subsidy.

The largest portion of physician clinic services provided on a charity basis was for surgical services, ancillary services such as lab tests, diagnostic imaging, and therapeutic services.

The most prevalent services provided on a charity basis in a hospital setting include emergency services and outpatient service visits such as diagnostic imaging tests.

Population Health Management and Community Services work closely to form the Community Health Network (CHN). This program's goal is to improve care coordination and quality of care by managing patients with chronic disease as well as identifying high-risk patients and monitoring clinical outcomes. This goal is accomplished by providing these high-risk patients with experienced RN care to help keep the participant in their home where they want to be. In an effort to reduce the overall hospital readmission rate, the CHN is now evaluating each inpatient based on the LACE scoring system. This scoring system identifies inpatients who are at higher risk to be readmitted to the hospital. The CHN nurses will partner with patients who meet the high-risk criteria in hope to prevent the readmission. Additionally, one home health nurse attends the daily discharge planning meetings to identify patients who would benefit from home nursing services further preventing a readmission.

In addition to implementing the readmission prevention program, the CHN program has initiated the Patient Nurse Navigator (PNN) role on the inpatient units. CHN nurses and the PNN collaborate on a daily basis to identify patients who are at high risk for readmission. This program is also designed to enhance the discharge process.

The Pharmacy is also collaborating with the CHN to prevent readmissions by enhancing the medication reconciliation process. Medication Technicians are available seven days a week to perform a thorough medication reconciliation at the time of admission and will carry through to the discharge process. Medication reconciliation during the patient's stay is vital to preventing readmissions.

In addition to the programs noted above, CGH is a generous donor in the community. In fiscal 2018, the Medical Center contributed $253,609 to 92 community organizations.

The Medical Center is the largest employer in Whiteside County. In fiscal 2018, the Medical Center provided $129.8 million in economic support through the payment of salaries and benefits to employees who reside in the community. CGH is the proud employer of 1,578 employees who have an average length of service of 10 years. The CGH Auxiliary donated 20,613 in volunteer hours during fiscal 2018 assisting patients, families and staff members in a variety of CGH Medical Center departments. The Auxiliary also awarded $10,000 in scholarship funds. A donation was made by the Auxiliary to the Hospital for the outdoor lighting system. The total value of the CGH Auxiliary's philanthropy is $551,897.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED APRIL 30, 2018 AND 2017

Contacting the Medical Center's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers, investors, and creditors with a general overview of the Medical Center's finances and to show the Medical Center's accountability for the money they receive. Questions about this report and requests for additional financial information should be directed to the Medical Center's administrative office by telephoning 815-625-0400.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
COMBINED STATEMENTS OF NET POSITION
APRIL 30, 2018 AND 2017

	2018	2017
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 35,025,524	$ 45,194,546
Patient Accounts Receivable, Less Allowance for Uncollectible Accounts of $14,415,373 for 2018 and $12,935,104 for 2017	25,721,962	32,823,505
Other Receivables	1,884,736	1,328,651
Estimated Third-Party Payor Settlements Receivable	2,336,391	1,546,705
Due from Beneficial Interest	113,005	266,204
Inventories	4,249,574	3,854,363
Accrued Interest Receivable	300,723	241,072
Prepaid Expenses	2,416,600	2,588,847
Total Current Assets	72,048,515	87,843,893
OTHER ASSETS		
Investments	73,181,353	51,250,014
Assets Limited as to Use	6,368,771	5,800,091
Capital Assets, Net	70,594,939	68,785,245
Other Assets	758,234	968,899
Beneficial Interest in Affiliates	4,641,721	4,811,140
Total Other Assets	155,545,018	131,615,389
Total Assets	227,593,533	219,459,282
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Deferred Outflows	6,971,322	8,951,274
Total Assets and Deferred Outflows of Resources	$ 234,564,855	$ 228,410,556

See accompanying Notes to Combined Financial Statements.

Attachment – 33B

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
COMBINED STATEMENTS OF NET POSITION (CONTINUED)
APRIL 30, 2018 AND 2017

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2018	2017
CURRENT LIABILITIES		
Accounts Payable	$ 4,890,844	$ 4,082,119
Accrued Salaries, Wages, and Benefits	10,972,527	11,093,679
Accrued Malpractice	1,483,323	1,331,597
Current Maturities of Bonds Payable	2,830,000	2,750,000
Estimated Third-Party Payor Settlements Payable	10,226,443	9,711,257
Other Current Liabilities	3,778,500	3,838,830
Total Current Liabilities	34,181,637	32,807,482
LONG-TERM LIABILITIES		
Bonds Payable, Less Current Maturities and Net of Unamortized Premium of $821,401 for 2018 and $1,000,615 for 2017	13,341,401	16,350,615
Net Pension Liability	47,595,887	59,092,817
Total Long-Term Liabilities	60,937,288	75,443,432
DEFERRED INFLOWS OF RESOURCES		
Pension Related Deferred Inflows	12,160,514	3,267,884
NET POSITION		
Net Investment in Capital Assets	53,126,593	49,081,152
Restricted for:		
Health Development	6,368,771	5,800,091
Unrestricted	67,790,052	62,010,515
Total Net Position	127,285,416	116,891,758
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 234,564,855	$ 228,410,556

See accompanying Notes to Combined Financial Statements.

Attachment – 33B

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
COMBINED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED APRIL 30, 2018 AND 2017

	2018	2017
OPERATING REVENUES		
Net Patient Service Revenues, Net of Provision for Bad Debts of $10,277,581 for 2018 and $11,006,051 for 2017	$ 223,550,158	$ 211,501,930
Other Operating Revenues	2,890,017	2,883,543
Total Operating Revenues	226,440,175	214,385,473
OPERATING EXPENSES		
Salaries and Wages	97,387,708	92,025,786
Employee Benefits	24,220,403	22,530,899
Medical Fees	11,436,739	9,966,191
Patient Service Supplies	39,014,416	34,810,952
Utilities	1,980,921	2,068,451
Purchased Services	5,621,443	5,551,823
Repairs and Maintenance	8,212,563	7,492,613
Depreciation and Amortization	11,112,475	11,748,904
Insurance	2,190,701	2,038,806
Rental Expense	899,448	902,396
Other	7,261,122	6,876,775
Total Operating Expenses	209,337,939	196,013,596
OPERATING INCOME BEFORE PENSION RELATED EXPENSE	17,102,236	18,371,877
Employee Benefits, Pension Obligation	8,215,736	9,680,207
OPERATING INCOME	8,886,500	8,691,670
NONOPERATING REVENUES (EXPENSES)		
Contributions Received (Paid), Net	(132,847)	(335,392)
Investment Income	2,444,570	1,742,533
Interest Expense	(448,053)	(540,344)
Loss on Disposal of Capital Assets	(187,092)	(120,224)
Change in Beneficial Interest in Affiliates	(169,420)	(369,389)
Total Nonoperating Revenues	1,507,158	377,184
CHANGE IN NET POSITION, BEFORE INCOME TAXES	10,393,658	9,068,854
PROVISION FOR INCOME TAXES	-	157,038
CHANGE IN NET POSITION	10,393,658	8,911,816
Net Position - Beginning of Year	116,891,758	107,979,942
NET POSITION - END OF YEAR	$ 127,285,416	$ 116,891,758

See accompanying Notes to Combined Financial Statements.

Attachment – 33B

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED APRIL 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from and on Behalf of Patients	$ 230,377,201	$ 207,606,705
Other Receipts and Payments, Net	2,487,131	2,545,707
Payments to Employees	(130,629,677)	(122,073,482)
Payments for Contractual Services	(9,353,357)	(7,828,253)
Payments for Other Operating Expenses	(67,883,113)	(61,423,024)
Net Cash Provided by Operating Activities	24,998,185	18,827,653
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Contributions Received (Paid), Net	(132,847)	(335,392)
Net Cash Used by Noncapital Financing Activities	(132,847)	(335,392)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of Capital Assets	(11,601,651)	(5,987,199)
Principal Paid on Long-Term Debt	(2,750,000)	(4,237,749)
Interest Paid on Long-Term Debt	(627,267)	(719,559)
Net Cash Used by Capital Financing Activities	(14,978,918)	(10,944,507)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income	2,444,570	1,742,533
Distributions from Beneficial Interest Membership	-	150,000
Proceeds from Sales and Maturities of Investments and Assets Limited as to Use	27,269,127	29,415,457
Purchases of Investments and Assets Limited as to Use	(49,757,870)	(31,105,190)
Net Cash Provided (Used) by Investing Activities	(20,044,173)	202,800
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,157,753)	7,750,554
Cash and Cash Equivalents - Beginning of Year	45,265,287	37,514,733
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 35,107,534	$ 45,265,287

See accompanying Notes to Combined Financial Statements.

Attachment – 33B

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED APRIL 30, 2018 AND 2017

	2018	2017
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	$ 8,886,500	$ 8,691,670
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	11,112,475	11,748,904
Provision for Bad Debts	10,277,581	11,006,051
Provision for Income Tax	-	(157,038)
(Increase) Decrease in Operating Assets:		
Patient Accounts Receivable, Net	(3,176,038)	(13,584,524)
Accrued Interest Receivable	(59,651)	(51,004)
Other Accounts Receivable	(556,085)	30,248
Estimated Third-Party Payor Settlements	(274,500)	27,743
Due from Beneficial Interest	153,199	(59,738)
Inventories	(395,211)	(275,229)
Prepaid Expenses	172,239	532,400
Deferred Outflow of Resources	1,979,952	2,334,729
Deferred Inflow of Resources	8,892,630	2,556,669
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(488,220)	407,601
Accrued Liabilities	(29,756)	(768,571)
Net Pension Liability	(11,496,930)	(3,612,258)
Net Cash Provided by Operating Activities	$ 24,998,185	$ 18,827,653
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE COMBINED STATEMENTS OF NET POSITION		
Current Assets:		
Cash and Cash Equivalents	$ 35,025,524	$ 45,194,546
Assets Limited as to Use:		
Cash Equivalent Funds	82,010	70,741
Total	$ 35,107,534	$ 45,265,287
CASH FLOW DISCLOSURES		
Capital Asset Purchases in Account Payable	$ 1,296,945	$ 603,478

See accompanying Notes to Combined Financial Statements.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
NOTES TO COMBINED FINANCIAL STATEMENTS
APRIL 30, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

CGH Medical Center (the Medical Center) is a component unit of the City of Sterling, Illinois and is governed by the board of directors of CGH Medical Center. The Medical Center's inpatient, outpatient, and emergency care services are for residents of north central Illinois. Admitting physicians are primarily local practitioners. The Medical Center's fiscal year ends on April 30.

Reporting Entity

For financial reporting purposes, the Medical Center has included all funds, organizations, account groups, agencies, boards, commissions, and authorities. The Medical Center has also considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Medical Center are such that exclusion would cause the Medical Center's combined financial statements to be misleading or incomplete. The Government Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the organization to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Medical Center. As required by the Governmental Accounting Standards Board criteria, the combined financial statements include CGH Medical Center (the primary government) and its blended component units, CGH Health Centers (formerly the Sterling Rock Falls Clinic), Rock River Health, Inc., and CGH Health Foundation, Inc. The Medical Center is considered a part of the reporting entity of the City of Sterling, Illinois and is included in the City's financial statement as a component unit. Collectively, CGH Medical Center and its blended component units are referred to as "the Medical Center", unless identified individually. The Medical Center and its component units do not have separately issued financial statements.

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Accounting

For financial reporting purposes, the Medical Center is considered a component unit of the City of Sterling, Illinois, engaged only in business-type activities. Accordingly, the Medical Center's combined financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
NOTES TO COMBINED FINANCIAL STATEMENTS
APRIL 30, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards of Accounting and Financial Reporting

Due to its relationship with the City, the Medical Center is subject to the application of accounting pronouncements issued by the GASB.

The accompanying combined financial statements have been presented in conformity with accounting principles generally accepted in the United States of America (generally accepted accounting principles) in accordance with the American Institute of Certified Public Accountants' audit and accounting guide, Health Care Entities, and other pronouncements applicable to health care organizations and guidance from the Governmental Accounting Standards Board (GASB), where applicable. The combined financial statements include all of the accounts of the Medical Center.

Cash and Cash Equivalents

Cash and cash equivalents (excluding those assets limited as to use) include liquid investments with maturities of three months or less when purchased.

Patient Accounts Receivable and Credit Policies

Patient accounts receivable are uncollateralized patient and third-party payor obligations which generally require payment within 30 days from invoice date. Statements are sent out approximately every 30 days. On the fourth statement the account is considered delinquent and a collection letter is sent. The account is turned over to collection at approximately 120 days, unless the patient account has been set up on a payment plan. At the time they are turned over to collection, they are also written off as uncollectible.

Payments of patient accounts receivable are applied to the specific invoices identified on the customers remittance advice or, if unspecified, research is done to identify invoices paid, if invoices cannot be identified, the payment goes against the earliest invoice outstanding.

The carrying amount of patient accounts receivable is reduced by valuation allowances that reflect management's best estimate of amounts that will not be collected. Management uses a system for estimating third-party contractual allowances and losses for uncollectible accounts, whereby certain percentages of patient service revenue for each of these allowances is recorded on a monthly basis as an offset to patient service revenue and patient accounts receivable. The percentages used by management are based off of historical trends in federal and state governmental and private employer health care coverage and trends with final adjustments made when private person cost reports are filed, if applicable. Periodically management reviews outstanding accounts for creditworthiness.

Inventories

General stores, pharmacy, and other inventories are carried at lower of cost or net realizable value, cost being determined on the "average" basis of accounting.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
NOTES TO COMBINED FINANCIAL STATEMENTS
APRIL 30, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and Investment Income

State statutes authorize the Medical Center to invest in obligations of the United States of America or its agencies (or guaranteed by the full faith and credit of the same) and certain time deposits and short-term obligations as defined in the Public Fund Investment Act.

Investments in debt and equity securities are carried at fair value which is determined using selected basis. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in nonoperating income when earned.

Fair Value of Financial Instruments

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Medical Center emphasizes that fair value is a market-based measurement, not an entity-specific measurement.

Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Medical Center has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Medical Center also follows the policy of valuing certain financial instruments at fair value. This accounting policy allows entities the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. The Medical Center elected to measure investments at fair value as permitted. The Medical Center may elect to measure newly acquired financial instruments at fair value in the future.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
NOTES TO COMBINED FINANCIAL STATEMENTS
APRIL 30, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments (Continued)

Securities are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Securities valued using Level 1 inputs included those traded on an active exchange, such as the New York Stock Exchange. Securities valued using Level 2 inputs include U.S. government and agency obligations and certificates of deposit.

Assets Limited as to Use

Assets limited as to use include assets for health development which donors have contributed for specific purposes or assets that have been designated by the board over which the board retains control and may, at its discretion, subsequently use for other purposes.

Capital Assets

Capital asset acquisitions are recorded at cost. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Contributed assets are recorded at their estimated fair value at the time of their donation. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Other costs incurred for repairs and maintenance is expensed as incurred.

Depreciation is provided over the estimated useful life of each class of depreciable assets ranging from 3 to 40 years, and is computed using the straight-line method.

Long-lived Assets

Management evaluates its long-lived assets for possible impairment whenever events or circumstances indicate that the carrying amount of the asset, or related group of assets, may not be recoverable from estimated future cash flows. Measurement of the amount of the impairment, if any, may be based on independent appraisals, established market values of comparable assets or estimates of future discounted cash flows expected to result from the use and disposition of the assets. The estimates of these future cash flows are based on assumptions and projections believed by management to be reasonable. These subjective judgments take into account assumptions about revenue and expense growth rates, patient volumes, changes in payor mix, regulations, and other factors.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
NOTES TO COMBINED FINANCIAL STATEMENTS
APRIL 30, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Benefits for vacation, holidays, personal days, funeral days, and sick days are combined into one program called Earned Time Off (ETO). Employees' compensated absences are accrued when earned. The employees earn ETO days at varying rates depending on years of service. Employees may accumulate ETO hours earned. Up to 80 hours of ETO earned and accrued in excess of 480 hours (60 days) may be bought back from the employee in July of each year. The obligation and expenditure incurred during the year are recorded as salaries, wages, and benefits in the statements of net position, and as a component of employee benefits in the statements of activities.

Long-Term Liabilities

Long-term liabilities include principal amounts of bonds payable with contractual maturities greater than one year. Also included in long-term liabilities is net pension liability for pension benefits employees have earned.

Net Position

The Medical Center's net position is classified as follows:

Net investment in capital assets consists of capital assets net of accumulated depreciation reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets.

Restricted net position is net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors. The restricted amounts for health development consist of amounts designated internally or donated by various individuals, estates, grants, etc. These funds are restricted internally or by the donors for specific purposes.

Unrestricted net position is remaining net assets that do not meet the definition of *net investment in capital assets or restricted.*

Risk Management

The Medical Center is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; medical malpractice; employee injuries and illnesses; natural disasters and employee health, dental, and accident benefits. See Note 12 - Self Insurance Plan for a description of the employee health insurance coverage and Note 14 - Malpractice Insurance for a description of the professional liability insurance.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
NOTES TO COMBINED FINANCIAL STATEMENTS
APRIL 30, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Regulatory Investigation

The U.S. Department of Justice, other federal agencies, and the Illinois Department of Public Aid routinely conduct regulatory investigations and compliance audits of health care providers. The Medical Center is subject to these regulatory efforts. Management is currently unaware of any regulatory matters which may have a material effect on the Medical Center's financial position or results from operations.

Classification of Revenues and Expenses

The Medical Center has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating Revenues

Operating revenues include activities that have the characteristics of exchange transactions, such as patient service revenues. The statements of Revenues, Expenses, and Changes in Net Position include an intermediate measure of operations, income from operations that represents the activity of the ongoing operations of the Medical Center. Other income and expense, excluded from operating income, consists primarily of nonrecurring transactions and transactions that are outside of the Medical Center's primary activities.

Operating Expenses

Operating expenses are all expenses incurred to provide healthcare related services, other than financing costs.

Nonoperating Revenues

Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as other revenue sources that are defined as nonoperating revenues by GASB for example, investment income, and contributions.

Net Patient Service Revenue

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, and discounted charges. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
NOTES TO COMBINED FINANCIAL STATEMENTS
APRIL 30, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Charity Care

The Medical Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as patient service revenue. Charity care includes the amount of costs forgone for services and supplies furnished under its charity care policy and was approximately $3,500,000 and $2,600,000 for the years ended April 30, 2018 and 2017, respectively. Charity care cost was determined on the application of the associated cost-to-charge ratios.

Electronic Health Record Incentive Payments

As discussed in Note 8, the Medical Center received funds under the Electronic Health Records (EHR) Incentive Program during fiscal year 2018 and 2017. The Medical Center recognizes revenue at the completion of the EHR reporting period and when all meaningful use objectives and any other specific grant requirements that are applicable are met.

Income Taxes

CGH Medical Center is a component unit of the City of Sterling, Illinois and therefore is exempt from tax.

Rock River Health, Inc. and CGH Health Foundation, Inc., blended component units of CGH Medical Center, are nonprofit corporations and have been recognized as tax exempt pursuant to Sec. 501(c)(3) of the Internal Revenue Code.

The Medical Center applies the income tax standard for uncertain tax positions. This standard clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements in accordance with the income tax standard. This standard prescribes recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized.

Advertising

The Medical Center expenses advertising costs as incurred.

Beneficial Interest in Affiliates

Effective March 3, 1988, The Medical Center entered into an agreement with Katherine Shaw Bethea Hospital, to become a 50% member of Northern Illinois Cancer Treatment Center (NICTC), a nonprofit corporation. NICTC provides radiation treatment services to residents in North Central Illinois. The Hospital accounts for the beneficial interest in affiliate based on their share of book value, which they believe approximates fair value. The beneficial interest as of April 30, 2018 and 2017 is approximately $3,953,000 and $4,095,000, respectively. The Medical Center analyzes the beneficial interest in NICTC annually for impairment.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
NOTES TO COMBINED FINANCIAL STATEMENTS
APRIL 30, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Beneficial Interest in Affiliates (Continued)

Effective August 29, 2001, the Medical Center entered into an agreement with Katherine Shaw Bethea Hospital, to become 50% member of Northern Illinois Home Medical Supply (NIHMS), a nonprofit corporation. NIHMS provides necessary medical supplies to residents in the North Central Illinois. The Hospital accounts for the beneficial interest in affiliate based on their share of book value, which they believe approximates fair value. The beneficial interest as of April 30, 2018 and 2017 is approximately $689,000 and $716,000, respectively. The Medical Center analyzes the beneficial interest in NIHMS annually for impairment. NIHMS distributed $-0- and $150,000 to the Medical Center, for the years ended April 30, 2018 and 2017, respectively.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Illinois Municipal Retirement Fund (IMRF) and additions to/deductions from IMRF fiduciary net position have been determined on the same basis as they are reported by IMRF.

Deferred Inflows of Resources

Deferred inflows of resources are defined as an acquisition of net position that applies to future periods. Deferred inflows of resources consist of unrecognized items associated with net pension liability and annual pension expense.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date, but before the end of the employer's reporting period.

Estimated Malpractice Costs

The provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Reclassifications

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 presentation. The reclassifications had no effect on the changes in net position.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
NOTES TO COMBINED FINANCIAL STATEMENTS
APRIL 30, 2018 AND 2017

NOTE 2 DEPOSITS, INVESTMENTS, AND ASSETS LIMITED AS TO USE

Deposits

The carrying amount of the Medical Center's cash and deposits was $35,025,524 and $45,194,546 at April 30, 2018 and 2017, respectively. The bank balances totaled $36,643,083 and $45,922,367 at April 30, 2018 and 2017, respectively. Cash on hand was $5,845 and $5,795 at April 30, 2018 and 2017, respectively.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Medical Center's deposits may not be returned to it. The Medical Center's investment policy allows that funds on deposit with one institution shall not represent more than 50% of the Medical Center's invested funds at any one time. Additionally, the Medical Center allows that funds on deposit in excess of FDIC limits must be secured by some form of collateral held by the institutions in the name of the Medical Center.

Investments

As of April 30, 2018 and 2017, the Medical Center had the following investments:

	Investment Maturities (in Years) at April 30, 2018					
	Fair Value	Less than 1	1-5	6-10	10 or More	Rating
Certificates of Deposit	$ 30,675,918	$ 22,544,918	$ 8,131,000	$ -	$ -	N/A
Mutual Funds	3,994,035	3,994,035	-	-	-	N/A
FNMA	5,297,516	2,872,068	1,001,213	-	1,424,235	AA+
FHLB	4,477,956	3,200,603	1,277,353	-	-	AA+
GNMA	3,449,678	-	-	-	3,449,678	N/A
FHLMC	5,697,765	745,000	4,385,173	-	567,592	AA+
Municipal Bonds	19,588,485	5,165,873	13,102,612	1,320,000	-	A- thru AA+
Total	$ 73,181,353	$ 38,522,497	$ 27,897,351	$ 1,320,000	$ 3,054,265	

	Investment Maturities (in Years) at April 30, 2017					
	Fair Value	Less than 1	1-5	6-10	10 or More	Rating
Certificates of Deposit	$ 24,834,128	$ 16,526,354	$ 8,057,774	$ 250,000	$ -	N/A
Mutual Funds	4,691,856	4,691,856	-	-	-	N/A
FNMA	1,660,272	449,229	532,660	-	678,383	AA+
FHLB	1,935,506	396,116	1,539,390	-	-	AA+
GNMA	1,599,172	-	-	-	1,599,172	N/A
FHLMC	5,661,073	250,000	4,734,350	-	676,723	AA+
Municipal Bonds	10,868,007	3,451,383	7,109,933	206,704	99,987	A- thru AA+
Total	$ 51,250,014	$ 25,764,938	$ 21,974,107	$ 456,704	$ 3,054,265	

Assets Limited as to Use

The composition of assets limited as to use at April 30, 2018 and 2017 is set forth in the following table:

	2018	2017
Assets Limited as to Use:		
Cash Equivalent Funds	$ 82,010	$ 70,741
Mutual Funds	6,286,761	5,729,350
Total Assets Limited as to Use	$ 6,368,771	$ 5,800,091

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NOTE 2 DEPOSITS, INVESTMENTS, AND ASSETS LIMITED AS TO USE (CONTINUED)

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Medical Center limits funds that are not directly matched with anticipated cash flow requirements to maturities primarily less than a five-year average weighted life.

Credit Risk

The Medical Center's investment policy is to apply the prudent person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to conform with legal requirements and state statutes, seek reasonable income, preserve capital, maintain liquidity, and in general, avoid speculative instruments.

Fair Value Measurements

The Medical Center uses fair value measurements to record fair value adjustments to certain assets to determine fair value disclosures. For additional information on how the Medical Center measures fair value refer to Note 1 – Summary of Significant Accounting Principles.

The following tables present the fair value hierarchy for the balances of the assets and liabilities of the Medical Center measured at fair value on a recurring basis as of April 30, 2018 and 2017:

	2018			
	Level 1	Level 2	Level 3	Total
Investments:				
Certificates of Deposit	$ 30,675,918	$ -	$ -	$ 30,675,918
Government Obligations	-	38,511,400	-	38,511,400
Mutual Funds	3,994,035	-	-	3,994,035
Total Investments	34,669,953	38,511,400	-	73,181,353
Assets Limited as to Use:				
Mutual Funds	6,286,761	-	-	6,286,761
Total Assets Measured at Fair Value	$ 40,956,714	$ 38,511,400	$ -	$ 79,468,114

	2017			
	Level 1	Level 2	Level 3	Total
Investments:				
Certificates of Deposits	$ 24,834,128	$ -	$ -	$ 24,834,128
Government Obligations	-	21,724,030	-	21,724,030
Mutual Funds	4,691,856	-	-	4,691,856
Total Investments	29,525,984	21,724,030	-	51,250,014
Assets Limited as to Use:				
Mutual Funds	5,729,350	-	-	5,729,350
Total Assets Measured at Fair Value	$ 35,255,334	$ 21,724,030	$ -	$ 56,979,364

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NOTE 2 DEPOSITS, INVESTMENTS, AND ASSETS LIMITED AS TO USE (CONTINUED)

The estimated fair values of financial instruments have been derived, in part, by management's assumptions, the estimated amount and timing of future cash flows, and estimated discount rates, Different assumptions could significantly affect these estimated fair values. Accordingly, the net realizable value could be materially different from the estimates presented below. In addition, the estimates are only indicative of the value of individual financial instruments and should not be considered an indication of the fair value of the Medical Center.

NOTE 3 CAPITAL ASSETS

Capital asset activity for the years ended April 30, 2018 and 2017 was as follows:

	2018			
	Beginning Balance	Additions and Transfers	Disposals and Retirements	Ending Balance
Land	$ 2,724,440	$ -	$ -	$ 2,724,440
Land Improvements	4,160,839	133,570	(110,206)	4,184,203
Buildings and Building Improvements	89,259,925	1,498,908	(511,892)	90,246,941
Rented Buildings	826,560	7,602	-	834,162
Building Service Equipment	13,629,172	-	(445,974)	13,183,198
Moveable Equipment	82,113,221	6,059,365	(3,747,511)	84,425,075
Construction in Progress	1,447,534	5,285,592	-	6,733,126
Total Cost	194,161,691	12,985,037	(4,815,583)	202,331,145
Less: Accumulated Depreciation:				
Land Improvements	2,562,381	252,877	(110,205)	2,705,053
Buildings	50,834,915	3,302,863	(511,416)	53,626,362
Rented Buildings	820,972	2,731	-	823,703
Building Service Equipment	11,948,912	229,656	(445,972)	11,732,596
Moveable Equipment	59,209,266	7,198,110	(3,558,884)	62,848,492
Total Accumulated Depreciation	125,376,446	10,986,237	(4,626,477)	131,736,206
Total Capital Assets, Net	$ 68,785,245	$ 1,998,800	$ (189,106)	$ 70,594,939

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NOTE 3 CAPITAL ASSETS (CONTINUED)

	2017			
	Beginning Balance	Additions and Transfers	Disposals and Retirements	Ending Balance
Land	$ 2,649,399	$ 75,041	$ -	$ 2,724,440
Land Improvements	4,104,653	62,036	(5,850)	4,160,839
Buildings and Building Improvements	88,524,931	872,439	(137,445)	89,259,925
Rented Buildings	823,861	2,699	-	826,560
Building Service Equipment	13,733,621	-	(104,449)	13,629,172
Moveable Equipment	86,397,632	4,177,253	(8,461,664)	82,113,221
Construction in Progress	553,746	893,788	-	1,447,534
Total Cost	196,787,843	6,083,256	(8,709,408)	194,161,691
Less: Accumulated Depreciation:				
Land Improvements	2,313,610	254,621	(5,850)	2,562,381
Buildings	47,502,067	3,470,293	(137,445)	50,834,915
Rented Buildings	818,931	2,041	-	820,972
Building Service Equipment	11,807,829	245,532	(104,449)	11,948,912
Moveable Equipment	59,888,897	7,650,088	(8,329,719)	59,209,266
Total Accumulated Depreciation	122,331,334	11,622,575	(8,577,463)	125,376,446
Total Capital Assets, Net	$ 74,456,509	$ (5,539,319)	$ (131,945)	$ 68,785,245

NOTE 4 CONSTRUCTION IN PROGRESS

The Medical Center has active construction projects as of April 30, 2018 and 2017. The projects are being financed with cash from operations. The following schedules present a summary of the budget and actual expenditures at April 30, 2018 and 2017 and the anticipated construction expenditures to complete the projects, which includes commitments:

Project	Budget	Expenditures as of April 30, 2018	Estimated Expenditures to Complete
Rock Falls Clinic	$ 3,574,000	$ 293,040	$ 3,280,960
Hospital Billing System	3,545,985	2,596,431	949,554
MRI Replacement	2,556,772	2,084,379	472,393
Other	5,963,861	2,052,316	3,911,545
Total		$ 6,733,126	$ 5,333,492

Project	Budget	Expenditures as of April 30, 2017	Estimated Expenditures to Complete
Hospital Billing System	$ 3,545,985	$ 794,805	$ 2,751,180
GE Fetal Surveillance System	172,155	145,678	26,477
Other	974,653	507,051	467,602
Total		$ 1,447,534	$ 3,245,259

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NOTE 5 AGREEMENT WITH THE GREATER STERLING DEVELOPMENT CORPORATION

During 2002, the Medical Center entered into an agreement with the Greater Sterling Development Corporation (GSDC) to promote economic development within its market area. The Medical Center agreed to finance the construction of a building on GSDC real estate for future sale or lease to a new area business. The Medical Center financed $844,250 related to the project. Beginning on April 30, 2012, the Medical Center has agreed to forgive 10%, or $84,425, of the amount financed an annual basis over 10 years. However, the agreement is subject to a stipulation whereby GSDC would be required to repay any unforgiven balance if the real estate is sold at any time during the 10-year period ending April 30, 2022. At April 30, 2018 and 2017, the remaining balance was $253,275 and $337,700, respectively. These remaining balances are included in other assets on the combined statements of net position.

NOTE 6 PATIENT ACCOUNTS RECEIVABLE

Patient accounts receivable of the Medical Center consisted of the following amounts at April 30:

	2018	2017
Patient Accounts Receivable:		
Medicare	$ 7,988,786	$ 7,198,712
Medicaid	1,975,201	3,260,424
State of Illinois - Commercial	5,515,092	9,438,448
Other Third-Party Payors	13,900,693	16,374,064
Patients	10,757,563	9,486,961
Total	40,137,335	45,758,609
Less: Allowance for Uncollectible Accounts	14,415,373	12,935,104
Total Patient Accounts Receivable, Net	$ 25,721,962	$ 32,823,505

NOTE 7 NET PATIENT SERVICE REVENUE

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates. Following is a summary of the payment arrangements with major third-party payors:

Medicare

Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Beginning in 2002, the Medical Center claimed Medicare payments based on an interpretation of certain "disproportionate share" rules. The Medical Center has applied for additional reimbursement under the "disproportionate share" rules for all years from 2002 forward. The Medical Center is also classified as a Medicare Dependent Hospital.

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NOTE 7 NET PATIENT SERVICE REVENUE (CONTINUED)

Medicare (Continued)

The Medical Center has included approximately $1,609,000 and $2,155,000 of reimbursement related to disproportionate share and Medicare dependent costs in net patient service revenue for the years ended April 30, 2018 and 2017, respectively. The Medical Center's classification of patients under the Medicare program and the appropriateness of their admission are subject to independent review by a peer review organization. The Medical Center's Medicare cost reports have been final settled by the Medicare fiscal intermediary through April 30, 2015.

Medicaid

Inpatient acute care services and outpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates. Both inpatient and outpatient rates are not subject to retroactive adjustment.

The Federal Centers for Medicare and Medicaid Services (CMS) approved state of Illinois (State) legislation for a Medicaid Hospital Assessment Program (Program). Under the Program, the Medical Center receives additional Medicaid reimbursement from the State. The Program has been modified and extended through June 30, 2020. Cash payments of $4,250,278 and $4,250,278 were received and were included in net patient service revenue for the years ended April 30, 2018 and 2017, respectively.

The Department of Healthcare and Family Services is to make hospital access improvement payments for the period through June 30, 2018. Cash payments of $4,257,177 and $4,544,068 were received and were included in net patient service revenue for the years ended April 30, 2018 and 2017, respectively.

Blue Cross

For inpatient services rendered at CGH Medical Center to Blue Cross subscribers are reimbursed under a cost reimbursement methodology. The Medical Center is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by Blue Cross. The Medical Center's Blue Cross cost reports have been audited through April 30, 2017.

Other

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

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NOTE 7 NET PATIENT SERVICE REVENUE (CONTINUED)

Uninsured

For uninsured patients that do not qualify for charity care, the Medical Center recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, an increased portion of the Medical Center's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Medical Center records a significant provision for bad debts related to uninsured patients in the period the services are provided.

Revenue from the Medicare and Medicaid programs accounted for approximately 33% and 7%, respectively, of the Medical Center's net patient service revenue for the year ended April 30, 2018. Revenue from the Medicare and Medicaid programs accounted for approximately 32% and 8%, respectively, of the Medical Center's net patient service revenue for the year ended April 30, 2017. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The 2018 net patient revenue increased approximately $135,000 and 2017 net patient revenue increased approximately $312,000 due to prior year retroactive adjustments in excess of amounts previously estimated.

A summary of patient service revenue and revenue adjustments for the years ended April 30, 2018 and 2017 is as follows:

	2018	2017
Total Patient Service Revenues	$ 828,234,787	$ 766,844,353
Contractual Adjustments and Provision for Bad Debt:		
Medicare	328,296,527	297,553,365
Medicaid	129,238,825	125,799,947
Other	136,871,696	120,983,060
Provision for Bad Debts	10,277,581	11,006,051
Total	604,684,629	555,342,423
Net Patient Service Revenue	$ 223,550,158	$ 211,501,930

NOTE 8 ELECTRONIC HEALTH RECORD INCENTIVE PROGRAM

The Electronic Health Record (EHR) incentive program was enacted as part of the American Recovery and Reinvestment Act of 2009 (ARRA) and the Health Information Technology for Economic and Clinical Health (HITECH) Act. These Acts provided for incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified EHR technology.The incentive payments are made based on a statutory formula and are contingent on the Medical Center continuing to meet the escalating meaningful use criteria.

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NOTE 8 ELECTRONIC HEALTH RECORD INCENTIVE PROGRAM (CONTINUED)

For the first payment year, the Medical Center must attest, subject to an audit, that it met the meaningful use criteria for a continuous 90-day period. For the subsequent payment year, the Medical Center must demonstrate meaningful use for the entire year. The incentive payments are generally made over a four-year period.

The Medical Center demonstrated meaningful use to Stage 1 criteria for the initial 90-day reporting period during the year ending April 30, 2012. The physicians have also demonstrated meaningful use over the course of the past two fiscal years. During fiscal years 2018 and 2017, the Medical Center continued to demonstrate meaningful use and recognized $99,485 and $183,317 as other operating revenues in the statements of Revenues, Expenses, and Changes in Net Position for the year ending April 30, 2018 and 2017, respectively. The final amount of these payments will be determined based on information from the Medical Center's Medicare cost reports for the respective years of EHR incentive attestation. Events could occur that would cause the final payments to differ materially upon final settlement.

NOTE 9 BONDS PAYABLE

Bonds Payable

At April 30, 2018 and 2017, bonds payable consisted of the following issues:

	2018				
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
2012 Bonds	$ 18,100,000	$ -	$ (2,750,000)	$ 15,350,000	$ 2,830,000
Unamortized Bond Premium	1,000,615	-	(179,214)	821,401	-
Long-Term Debt, Net	$ 19,100,615	$ -	$ (2,929,214)	$ 16,171,401	$ 2,830,000

	2017				
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
2012 Bonds	$ 20,795,000	$ -	$ (2,695,000)	$ 18,100,000	$ 2,750,000
Unamortized Bond Premium	1,179,830	-	(179,215)	1,000,615	-
Long-Term Debt, Net	$ 21,974,830	$ -	$ (2,874,215)	$ 19,100,615	$ 2,750,000

In December 2012, the City of Sterling issued $30,370,000 in General Obligation Refunding Bonds (2012 Bonds) with an average interest rate of 3.10% to advance refund approximately $27 million of outstanding Series 2003, 2006 and 2011 Bonds with an average interest rate of 4.45% and provided $7 million of cash to the Medical Center for construction projects.

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NOTE 9 NOTE PAYABLE AND BONDS PAYABLE (CONTINUED)

A portion of the net proceeds (after payment of underwriting fees, insurance, and other issuance costs) were used to purchase SLGS securities which were deposited with an escrow agent to provide for all future debt service payments on the Series 2003, 2006, and 2011 Bonds. As a result, the Series 2003, 2006 and 2011 Bonds are considered to be defeased and the liability for those bonds has been removed from the combined statements of net position.

For the 2012 Bonds, annual requirements of principal and interest payments to retire debt obligations are due on November 1 each year. Interest only payments are due on May 1 each year. Annual requirements to retire the bond obligations are as follows:

Year Ending April 30,	Principal	Interest	Total
2019	$ 2,830,000	$ 585,700	$ 3,415,700
2020	2,930,000	500,800	3,430,800
2021	3,055,000	383,600	3,438,600
2022	3,205,000	261,400	3,466,400
2023	3,330,000	133,200	3,463,200
Total	$ 15,350,000	$ 1,864,700	$ 17,214,700

NOTE 10 EMPLOYEE RETIREMENT PLANS

Defined Contribution Plan

The Medical Center provides pension benefits for its employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Medical Center contributes 3% to participants regardless of their contribution level. The Medical Center matches employee contributions at 50% to a maximum employee contribution of 8%. To be eligible to participate, an employee must agree to participate in the "CGH Medical Center and its Subsidiaries Deferred Compensation Plan", be less than the age of 65 years, not be a participant in the Illinois Municipal Retirement Fund Plan, and must average at least 1,000 hours annually.

The Medical Center's contribution to this plan was $3,409,418 and $3,265,028 in 2018 and 2017, respectively.

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NOTE 10 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Defined Benefit Plan

The Medical Center's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The Medical Center's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

Benefits Provided

IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

All three IMRF benefit plans have two tiers. Employees hired before January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after 10 years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with 10 years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the lesser of:

- 3% of the original pension amount, or
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

NOTE 10 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Employees Covered by Benefit Terms

As of December 31, 2017 and 2016, the following employees were covered by the benefit terms:

	IMRF	
	December 31, 2017	December 31, 2016
Retirees and Beneficiaries Currently Receiving Benefits	245	222
Inactive Plan Members Entitled to but not yet Receiving Benefits	90	74
Active Plan Members	398	384
Total	733	680

Contributions

As set by statute, the Medical Center's Regular Plan Members are required to contribute 4.50% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Medical Center's annual contribution rate for calendar year 2017 was 23.57%. For the fiscal years ended April 30, 2018 and 2017, the Medical Center contributed $5,496,420 and $5,229,123 to the plan, respectively. The Medical Center also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's board of trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability

The Medical Center's net pension liability was measured as of December 31, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2017:

- The Actuarial Cost Method used was Entry Age Normal.
- The Asset Valuation Method used was Market Value of Assets.
- The Inflation Rate was assumed to be 2.75%.
- Salary Increases were expected to be 3.75% to 14.50%, including inflation.
- The Investment Rate of Return was assumed to be 7.50%.
- Projected Retirement Age was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.
- The IMRF-specific rates for Mortality (for nondisabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.

NOTE 10 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Actuarial Assumptions (Continued)

- For Disabled Retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for nondisabled lives.
- For Active Members, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
- The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table as of December 31, 2017:

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic Equity	37 %	6.85 %
International Equity	18	6.75
Fixed Income	28	3.00
Real Estate	9	5.75
Alternative Investments	7	2.65-7.35
Cash Equivalents	1	2.25
Total	100 %	

Single Discount Rate

A Single Discount Rate of 7.50% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.31%, and the resulting single discount rate is 7.50%.

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NOTE 10 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance - December 31, 2016	$ 158,031,199	$ 98,938,382	$ 59,092,817
Changes for the Year:			
Service Cost	2,305,057	-	2,305,057
Interest on the Total Pension Liability	11,681,117	-	11,681,117
Difference between Expected and Actual Experience	1,200,079	-	1,200,079
Changes of Assumption	(4,543,564)		(4,543,564)
Contributions - Employer	-	5,432,288	(5,432,288)
Contributions - Employees	-	1,191,261	(1,191,261)
Net Investment Income	-	15,182,555	(15,182,555)
Benefit Payments, including Refunds of Employee Contributions	(6,881,204)	(6,881,204)	-
Other (Net Transfer)	-	333,515	(333,515)
Net Changes	3,761,485	15,258,415	(11,496,930)
Balance - December 31, 2017	$ 161,792,684	$ 114,196,797	$ 47,595,887

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance - December 31, 2015	$ 154,153,307	$ 91,448,232	$ 62,705,075
Changes for the Year:			
Service Cost	2,377,014	-	2,377,014
Interest on the Total Pension Liability	11,151,454	-	11,151,454
Difference between Expected and Actual Experience	(145,657)	-	(145,657)
Changes of Assumption	(3,505,817)	-	(3,505,817)
Contributions - Employer	-	5,145,673	(5,145,673)
Contributions - Employees	-	1,022,168	(1,022,168)
Net Investment Income	-	6,296,226	(6,296,226)
Benefit Payments, including Refunds of Employee Contributions	(5,999,102)	(5,999,102)	-
Other (Net Transfer)	-	1,025,185	(1,025,185)
Net Changes	3,877,892	7,490,150	(3,612,258)
Balance - December 31, 2016	$ 158,031,199	$ 98,938,382	$ 59,092,817

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NOTE 10 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.50%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	1% Lower (6.50%)	Current Discount Rate (7.50%)	1% Higher (8.50%)
Net Pension Liability	$ 68,243,320	$ 47,595,887	$ 31,277,084

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

For the years ended April 30, 2018 and 2017, the Medical Center recognized pension expense of $4,794,419 and $6,415,184, respectively. At April 30, 2018 and 2017, the Medical Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018		2017	
Deferred Amounts Related to Pensions	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred Amounts to be Recognized in Pension Expense in Future Periods:				
Differences between Expected and Actual Experience	$ 1,032,216	$ (263,137)	$ 84,029	$ (560,004)
Changes of Assumptions	978,895	(5,625,040)	2,383,537	(2,707,880)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	3,071,837	(6,272,337)	4,659,466	-
Total Deferred Amounts to be Recognized in Pension Expense in Future Periods	5,082,947	(12,160,514)	7,127,032	(3,267,884)
Pension Contributions Made Subsequent to the Measurement Date	1,888,375	-	1,824,242	-
Total Deferred Amounts Related to Pensions	$ 6,971,322	$ (12,160,514)	$ 8,951,274	$ (3,267,884)

Attachment – 33B

NOTE 10 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

Year Ending December 31,	Net Deferred Outflows of Resources	Net Deferred Inflows of Resources
2019	$ 2,818,416	$ (3,411,425)
2020	1,599,483	(3,227,641)
2021	340,254	(2,723,669)
2022	218,821	(2,396,552)
2023	105,973	(401,227)
Total	$ 5,082,947	$ (12,160,514)

NOTE 11 OTHER POST-EMPLOYMENT BENEFITS

Plan Description

In addition to providing the pension benefits described in Note 10, the Medical Center provides postemployment health care benefits (OPEB) for retired employees through a single employer defined benefit plan (Retiree Healthcare Program). The benefits, benefit levels, employee contributions, and employer contributions are governed by the Medical Center and can be amended by the Medical Center through its personnel manual. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report. The Medical Center has included in other current liabilities in the combined statements of net position an accrual of $1,108,523 and $1,107,065 at April 30, 2018 and 2017, respectively.

Benefits Provided

The Medical Center provides continued health insurance coverage at the Cobra rate to all eligible retirees. To be eligible for benefits, an employee must qualify for retirement under one of the Medical Center's retirement plans. Upon a retiree reaching age 65 years of age, Medicare becomes the primary insurer and the retiree can choose not to participate in the plan or continue under the Medical Center's plan at a Medicare Supplement rate.

Funded Status and Funding Progress

The funded status of the plan as of April 30, 2018 and 2017 was as follows:

	2018	2017
Actuarial Accrued Liability (AAL)	$ 2,646,477	$ 1,949,391
Actuarial Value of Plan Assets	-	-
Unfunded Actuarial Accrued Liability (UAAL)	$ 2,646,477	$ 1,949,391
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%	0%

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
NOTES TO COMBINED FINANCIAL STATEMENTS
APRIL 30, 2018 AND 2017

NOTE 11 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Benefits Provided (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuation, the projected unit credit method was used. The actuarial assumptions included an investment return rate of 2.50%, 20% of eligible retirees will elect coverage and 50% of eligible spouses will elect coverage. The calculations assume a level dollar amount, 30-year open amortization period for retirees.

The following table shows the components of the Medical Center's annual OPEB cost at 2018 and 2017, the amount actually contributed to the plan, and changes in the Medical Center's net OPEB obligation:

	2018	2017
Annual Required Contribution	$ 215,630	$ 158,634
Interest on Net OPEB Obligation	27,677	26,788
Adjustment to ARC	(51,603)	(49,946)
Annual OPEB Cost	191,704	135,476
Estimated Contributions	(190,246)	(99,938)
Increase (Decrease) in Net OPEB Obligation	1,458	35,538
Net OPEB Obligation - Beginning of Year	1,107,065	1,071,527
Net OPEB Obligation - End of Year	$ 1,108,523	$ 1,107,065

NOTE 12 SELF INSURANCE PLAN

The Medical Center adopted a "self-insured" employee medical health plan effective November 1, 1984. A co-insurance policy is maintained covering plan participants for all costs in excess of $260,000 for 2018 and 2017 per person annually. The plan year runs from January 1 to December 31. The Medical Center estimates the amount of incurred but unpaid claims at April 30, 2018 and 2017 to be approximately $1,345,000 and $1,419,000, respectively, which is included in other liabilities on the combined statements of net position.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
NOTES TO COMBINED FINANCIAL STATEMENTS
APRIL 30, 2018 AND 2017

NOTE 13 CONCENTRATION OF CREDIT RISK

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

	2018	2017
Medicare	30 %	28 %
Medicaid	12	8
State of Illinois - Commercial	10	19
Blue Cross	13	12
Other Third-Party Payors	22	21
Patients	13	12
Total	100 %	100 %

The Hospital estimates its accounts receivable from the State of Illinois Insurance and Medicaid contracts at approximately $8,925,000 and $14,363,000 at April 30, 2018 and 2017, respectively.

The Hospital believes the net realizable value estimate is reasonable and collectible, but ultimately the amount and timing of payment from the state is subject to the funds being available to pay on accounts.

NOTE 14 MALPRACTICE INSURANCE

During the current year, the Medical Center was insured for professional and general liability insurance coverage on a claims-made basis through the Illinois Providers' Trust (IPT). A claims-made policy covers the Medical Center for only those claims reported to IPT within reporting periods as defined in the policy. The estimated net liability accrued for unpaid losses and incurred but not reported claims for the years ended April 30, 2018 and 2017 was $1,483,323 and $1,331,597, respectively. IPT is a risk pooling arrangement among tax-exempt, not-for-profit entities designed to protect against the risk of financial loss due to the imposition of legal liability, which was established under the Illinois Religious and Charitable Risk Pooling Trust Act. Funding is based on actuarially determined funding requirements.

The provision for insurance is based on the Medical Center's experience and future premiums can be adjusted for favorable or unfavorable retrospective experience.

Prior to joining IPT, the Medical Center purchased professional and general liability insurance to cover medical malpractice claims. The policy was a claims made policy that had a retroactive date of May 1, 1979.

The Medical Center purchases separate professional liability insurance to cover medical malpractice claims for specific employed physicians. The policies are claims made policies that have retroactive dates of May 1, 1979.

There are known claims from services provided to patients. The claims appear to be covered claims, and are in various stages of the discovery process and investigation.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
NOTES TO COMBINED FINANCIAL STATEMENTS
APRIL 30, 2018 AND 2017

NOTE 15 WORKERS COMPENSATION INSURANCE

The Medical Center estimates a liability for accrued workers compensation insurance. There are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted. The Medical Center contracted an independent actuary to estimate the ultimate costs of the settlement of such claims. Accrued workers compensation losses, in management's opinion, provide an adequate reserve for loss contingencies. The estimated liability accrued for workers compensation insurance for the years ended April 30, 2018 and 2017 was $472,581 and $459,833, respectively.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST FOUR CALENDAR YEARS

	Calendar Year Ended December 31, 2017	Calendar Year Ended December 31, 2016	Calendar Year Ended December 31, 2015	Calendar Year Ended December 31, 2014
Total Pension Liability:				
Service Cost	$ 2,305,057	$ 2,377,014	$ 2,401,636	$ 2,688,381
Interest on the Total Pension Liability	11,681,117	11,151,454	10,583,101	9,684,896
Changes of Benefit Terms	-	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	1,200,079	(145,657)	150,170	(1,238,647)
Changes of Assumptions	(4,543,564)	(3,505,817)	-	6,597,464
Benefit Payments, Including Refunds of Employee Contributions	(6,881,204)	(5,999,102)	(4,717,340)	(3,767,623)
Net Change in Total Pension Liability	3,761,485	3,877,892	8,417,567	13,964,471
Total Pension Liability - Beginning	158,031,199	154,153,307	145,735,740	131,771,269
Total Pension Liability - Ending (A)	$ 161,792,684	$ 158,031,199	$ 154,153,307	$ 145,735,740
Plan Fiduciary Net Position:				
Contributions - Employer	$ 5,432,288	$ 5,145,673	$ 4,757,486	$ 4,409,208
Contributions - Employees	1,191,261	1,022,168	963,680	967,607
Net Investment Income	15,182,555	6,296,226	432,684	4,900,971
Benefit Payments, including Refunds of Employee Cont	(6,881,204)	(5,999,102)	(4,717,340)	(3,767,623)
Other (Net Transfer)	333,515	1,025,185	3,976,765	(14,389)
Net Change in Plan Fiduciary Net Position	15,258,415	7,490,150	5,413,275	6,495,774
Plan Fiduciary Net Position - Beginning	98,938,382	91,448,232	86,034,957	79,539,183
Plan Fiduciary Net Position - Ending (B)	$ 114,196,797	$ 98,938,382	$ 91,448,232	$ 86,034,957
Net Pension Liability - Ending (A) - (B)	$ 47,595,887	$ 59,092,817	$ 62,705,075	$ 59,700,783
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.34%	62.61%	59.32%	59.03%
Covered Valuation Payroll	$ 22,742,536	$ 21,017,441	$ 21,167,464	20,885,781
Net Pension Liability as a Percentage of Covered Valuation Payroll	211.05%	281.16%	296.23%	285.84%

Note to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
APRIL 30, 2018

Year Ending December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a Percentage of Covered Valuation Payroll
2017	$ 5,360,416	$ 5,432,288	$ (71,872)	$ 22,742,536	23.89 %
2016	5,136,663	5,145,673	(9,010)	21,017,441	24.48
2015	4,718,228	4,757,486	(39,258)	21,167,464	22.48
2014	4,233,548	4,409,208	(175,660)	20,885,781	21.11

Notes to Schedule:
This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

Attachment – 33B

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
APRIL 30, 2018

Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2017 Contribution Rate*

Valuation Date

Note:	Actuarially determined contribution rates are calculated as of December 31 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine 2017 Contribution Rates

Actuarial Cost Method:	Aggregate entry age = normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	27-year closed period
Asset Valuation Method:	5-year smoothed market; 20% corridor
Wage Growth:	3.5%
Price Inflation:	2.75%, approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases:	3.75% to 14.50%, including inflation
Investment Rate of Return:	7.50%
Retirement Age:	Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2014 valuation pursuant to an experience study of the period 2011 to 2013.
Mortality:	For nondisabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2015 (base year 2014). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-Disabled retirees Mortality Table applying the same adjustment that were applied for nondisabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other Information

Note:	There were no benefit changes during the year.

* Based on Valuation Assumptions used in the December 31, 2014, actuarial valuation; note two-year lag between valuation and rate setting.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
COMBINING STATEMENT OF NET POSITION
APRIL 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	CGH Medical Center	Rock River Health, Inc.	CGH Health Foundation, Inc.	Eliminations	Total
CURRENT ASSETS					
Cash and Cash Equivalents	$ 34,738,574	$ 10,360	$ 276,590	$ -	$ 35,025,524
Patient Accounts Receivable, Less Allowance for Uncollectible Accounts	25,721,962	-	-	-	25,721,962
Other Receivables	1,884,736	-	-	-	1,884,736
Estimated Third-Party Payor Settlements Receivable	2,336,391	-	-	-	2,336,391
Due from Beneficial Interest	113,005	-	-	-	113,005
Intercompany Receivables	139,407	-	-	(139,407)	-
Inventories	4,249,574	-	-	-	4,249,574
Accrued Interest Receivable	280,481	-	20,242	-	300,723
Prepaid Expenses	2,414,971	-	1,629	-	2,416,600
Total Current Assets	71,879,101	10,360	298,461	(139,407)	72,048,515
OTHER ASSETS					
Investments	73,181,353	-	-	-	73,181,353
Assets Limited as to Use	82,010	-	6,286,761	-	6,368,771
Capital Assets, Net	70,594,939	-	-	-	70,594,939
Other Assets	758,234	-	-	-	758,234
Beneficial Interest in Affiliates	4,641,721	-	-	-	4,641,721
Net Equity in Component Units	6,456,175	-	-	(6,456,175)	-
Total Other Assets	155,714,432	-	6,286,761	(6,456,175)	155,545,018
Total Assets	227,593,533	10,360	6,585,222	(6,595,582)	227,593,533
DEFERRED OUTFLOWS OF RESOURCES					
Pension Related Deferred Outflows	6,971,322	-	-	-	6,971,322
Total Assets and Deferred Outflows of Resources	$ 234,564,855	$ 10,360	$ 6,585,222	$ (6,595,582)	$ 234,564,855

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
COMBINING STATEMENT OF NET POSITION (CONTINUED)
APRIL 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	CGH Medical Center	Rock River Health, Inc.	CGH Health Foundation, Inc.	Eliminations	Total
CURRENT LIABILITIES					
Accounts Payable	$ 4,890,844	$ -	$ -	$ -	$ 4,890,844
Accrued Salaries, Wages, and Benefits	10,972,527	-	-	-	10,972,527
Accrued Malpractice	1,483,323	-	-	-	1,483,323
Current Maturities of Bonds Payable	2,830,000	-	-	-	2,830,000
Estimated Third-Party Payor Settlements Payable	10,226,443	-	-	-	10,226,443
Other Current Liabilities	3,778,500	-	-	-	3,778,500
Intercompany Payables	-	-	139,407	(139,407)	-
Total Current Liabilities	34,181,637	-	139,407	(139,407)	34,181,637
LONG-TERM LIABILITIES					
Bonds Payable, Less Current Maturities and Net of Unamortized Premium of $821,401	13,341,401	-	-	-	13,341,401
Net Pension Liability	47,595,887	-	-	-	47,595,887
Total Long-Term Liabilities	60,937,288	-	-	-	60,937,288
DEFERRED INFLOWS OF RESOURCES					
Pension Related Deferred Inflows	12,160,514	-	-	-	12,160,514
NET POSITION					
Net Investment in Capital Assets	53,126,593	-	-	-	53,126,593
Restricted for:					
Health Development	82,010	-	6,286,761	-	6,368,771
Unrestricted	74,076,813	10,360	159,054	(6,456,175)	67,790,052
Total Net Position	127,285,416	10,360	6,445,815	(6,456,175)	127,285,416
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 234,564,855	$ 10,360	$ 6,585,222	$ (6,595,582)	$ 234,564,855

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
COMBINING STATEMENT OF NET POSITION
APRIL 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	CGH Medical Center	Rock River Health, Inc.	CGH Health Foundation, Inc.	Eliminations	Total
CURRENT ASSETS					
Cash and Cash Equivalents	$ 44,869,749	$ 12,848	$ 311,949	$ -	$ 45,194,546
Patient Accounts Receivable, Less Allowance for Uncollectible Accounts	32,823,505	-	-	-	32,823,505
Other Receivables	1,328,651	-	-	-	1,328,651
Estimated Third-Party Payor Settlements Receivable	1,546,705	-	-	-	1,546,705
Due from Beneficial Interest	266,204	-	-	-	266,204
Intercompany Receivables	169,179	-	-	(169,179)	-
Inventories	3,854,363	-	-	-	3,854,363
Accrued Interest Receivable	220,420	-	20,652	-	241,072
Prepaid Expenses	2,587,172	-	1,675	-	2,588,847
Total Current Assets	87,665,948	12,848	334,276	(169,179)	87,843,893
OTHER ASSETS					
Investments	51,250,014	-	-	-	51,250,014
Assets Limited as to Use	70,741	-	5,729,350	-	5,800,091
Capital Assets, Net	68,785,137	-	108	-	68,785,245
Other Assets	968,899	-	-	-	968,899
Beneficial Interest in Affiliates	4,811,140	-	-	-	4,811,140
Net Equity in Component Units	5,907,403	-	-	(5,907,403)	-
Total Other Assets	131,793,334	-	5,729,458	(5,907,403)	131,615,389
Total Assets	219,459,282	12,848	6,063,734	(6,076,582)	219,459,282
DEFERRED OUTFLOWS OF RESOURCES					
Pension Related Deferred Outflows	8,951,274	-	-	-	8,951,274
Total Assets and Deferred Outflows of Resources	$ 228,410,556	$ 12,848	$ 6,063,734	$ (6,076,582)	$ 228,410,556

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
COMBINING STATEMENT OF NET POSITION (CONTINUED)
APRIL 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	CGH Medical Center	Rock River Health, Inc.	CGH Health Foundation, Inc.	Eliminations	Total
CURRENT LIABILITIES					
Accounts Payable	$ 4,082,119	$ -	$ -	$ -	$ 4,082,119
Accrued Salaries, Wages, and Benefits	11,093,679	-	-	-	11,093,679
Accrued Malpractice	1,331,597	-	-	-	1,331,597
Current Maturities of Bonds Payable	2,750,000	-	-	-	2,750,000
Estimated Third-Party Payor Settlements Payable	9,711,257	-	-	-	9,711,257
Other Current Liabilities	3,838,830	-	-	-	3,838,830
Intercompany Payables	-	-	169,179	(169,179)	-
Total Current Liabilities	32,807,482	-	169,179	(169,179)	32,807,482
LONG-TERM LIABILITIES					
Bonds Payable, Less Current Maturities and Net of Unamortized Premium of $1,000,615	16,350,615	-	-	-	16,350,615
Net Pension Liability	59,092,817	-	-	-	59,092,817
Total Long-Term Liabilities	75,443,432	-	-	-	75,443,432
DEFERRED INFLOWS OF RESOURCES					
Pension Related Deferred Inflows	3,267,884	-	-	-	3,267,884
NET POSITION					
Net Investment in Capital Assets	49,081,044	-	108	-	49,081,152
Restricted for:					
Health Development	70,741	-	5,729,350	-	5,800,091
Unrestricted	67,739,973	12,848	165,097	(5,907,403)	62,010,515
Total Net Position	116,891,758	12,848	5,894,555	(5,907,403)	116,891,758
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 228,410,556	$ 12,848	$ 6,063,734	$ (6,076,582)	$ 228,410,556

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED APRIL 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

	CGH Medical Center	Rock River Health, Inc.	CGH Health Foundation, Inc.	Eliminations	Total
OPERATING REVENUES					
Net Patient Service Revenues, Net of Provision for Bad Debts	$ 223,541,348	$ 8,810	$ -	$ -	$ 223,550,158
Other Operating Revenues	2,890,017	-	-	-	2,890,017
Total Operating Revenues	226,431,365	8,810	-	-	226,440,175
OPERATING EXPENSES					
Salaries and Wages	97,286,546	-	101,162	-	97,387,708
Employee Benefits	24,165,827	-	54,576	-	24,220,403
Medical Fees	11,436,739	-	-	-	11,436,739
Patient Service Supplies	39,008,187	-	6,229	-	39,014,416
Utilities	1,980,921	-	-	-	1,980,921
Purchased Services	5,618,823	-	2,620	-	5,621,443
Repairs and Maintenance	8,209,722	-	2,841	-	8,212,563
Depreciation and Amortization	11,112,367	-	108	-	11,112,475
Insurance	2,190,701	-	-	-	2,190,701
Rental Expense	899,448	-	-	-	899,448
Other	7,205,530	11,401	44,191	-	7,261,122
Total Operating Expenses	209,114,811	11,401	211,727	-	209,337,939
OPERATING INCOME (LOSS) BEFORE PENSION RELATED EXPENSE	17,316,554	(2,591)	(211,727)	-	17,102,236
Employee Benefits, Pension Obligation	8,196,882	-	18,854	-	8,215,736
OPERATING INCOME (LOSS)	9,119,672	(2,591)	(230,581)	-	8,886,500
NONOPERATING REVENUES (EXPENSES)					
Contribution Revenue	49,788	-	509,004	-	558,792
Contributions (Paid)	(351,844)	-	(339,795)	-	(691,639)
Investment Income	1,831,835	103	612,632	-	2,444,570
Interest Expense	(448,053)	-	-	-	(448,053)
Loss on Disposal of Capital Assets	(187,092)	-	-	-	(187,092)
Change in Beneficial Interest in Affiliates	379,352	-	-	(548,772)	(169,420)
Total Nonoperating Revenues (Expenses)	1,273,986	103	781,841	(548,772)	1,507,158
CHANGE IN NET POSITION	10,393,658	(2,488)	551,260	(548,772)	10,393,658
Net Position - Beginning of Year	116,891,758	12,848	5,894,555	(5,907,403)	116,891,758
NET POSITION - END OF YEAR	$ 127,285,416	$ 10,360	$ 6,445,815	$ (6,456,175)	$ 127,285,416

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CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED APRIL 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT)

	CGH Medical Center	Rock River Health, Inc.	CGH Health Foundation, Inc.	CGH Health Centers	Eliminations	Total
OPERATING REVENUES						
Net Patient Service Revenues, Net of Provision for Bad Debts	$ 211,493,231	$ 8,699	$ -	$ -	$ -	$ 211,501,930
Other Operating Revenues	3,845,262	-	-	-	(961,719)	2,883,543
Total Operating Revenues	215,338,493	8,699	-	-	(961,719)	214,385,473
OPERATING EXPENSES						
Salaries and Wages	91,929,637	-	96,149	-	-	92,025,786
Employee Benefits	22,474,339	-	56,560	-	-	22,530,899
Medical Fees	9,966,191	-	-	-	-	9,966,191
Patient Service Supplies	34,808,041	-	2,911	-	-	34,810,952
Utilities	2,068,451	-	-	-	-	2,068,451
Purchased Services	5,536,360	-	1,579	13,884	-	5,551,823
Repairs and Maintenance	7,489,957	-	2,656	-	-	7,492,613
Depreciation and Amortization	11,874,496	-	648	(126,240)	-	11,748,904
Insurance	2,038,806	-	-	-	-	2,038,806
Rental Expense	902,396	-	-	961,719	(961,719)	902,396
Other	13,355,206	7,389	44,318	(6,530,138)	-	6,876,775
Total Operating Expenses	202,443,880	7,389	204,821	(5,680,775)	(961,719)	196,013,596
OPERATING INCOME (LOSS) BEFORE PENSION RELATED EXPENSE	12,894,613	1,310	(204,821)	5,680,775	-	18,371,877
Employee Benefits, Pension Obligation	9,662,119	-	18,088	-	-	9,680,207
OPERATING INCOME (LOSS)	3,232,494	1,310	(222,909)	5,680,775	-	8,691,670
NONOPERATING REVENUES (EXPENSES)						
Contribution Revenue	398,171	-	387,308	-	-	785,479
Contributions (Paid)	(483,454)		(637,417)			(1,120,871)
Investment Income	1,063,934	34	678,565	-	-	1,742,533
Interest Expense	(605,756)	-	-	65,412	-	(540,344)
Loss on Disposal of Capital Assets	(120,224)	-	-	-	-	(120,224)
Change in Benefical Interest in Affiliates	5,583,689	-	-	-	(5,953,078)	(369,389)
Total Nonoperating Revenues (Expenses)	5,836,360	34	428,456	65,412	(5,953,078)	377,184
CHANGE IN NET POSITION BEFORE INCOME TAXES	9,068,854	1,344	205,547	5,746,187	(5,953,078)	9,068,854
PROVISION FOR INCOME TAXES	157,038	-	-	-	-	157,038
CHANGE IN NET POSITION	8,911,816	1,344	205,547	5,746,187	(5,953,078)	8,911,816
Net Position - Beginning of Year	107,979,942	11,504	5,689,008	(5,746,187)	45,675	107,979,942
NET POSITION - END OF YEAR	$ 116,891,758	$ 12,848	$ 5,894,555	$ -	$ (5,907,403)	$ 116,891,758

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
SCHEDULE OF COMMUNITY BENEFITS (UNAUDITED)
YEAR ENDED APRIL 30, 2018

COMMUNITY BENEFITS FISCAL YEAR 2018 - UNAUDITED

In line with its mission and commitment to the community, the Medical Center provides services to patients without regard to their ability to pay for those services. The Medical Center has a Charity Services Policy (the Policy) for both the uninsured and the underinsured. Under the Policy, patients are offered discounts of up to 100% of charges on a sliding scale, which is based both on the patient's income as a percentage of the Federal Poverty Level guidelines and the charges for services rendered. The Medical Center receives no payment or a payment that is less than the full cost of providing the services for the patients under the Policy. The amount of charges determined to be charity are not recorded as net patient service revenues.

In some instances, the Medical Center will not receive payment for the services provided and has not received the necessary information from the patient in order to determine the patient's charitable assistance status. These charges are the basis for estimating the amount of patient revenue the Medical Center will not collect and therefore report as bad debt expense.

The Medical Center maintains records to identify and monitor the level of charity care it provides.

The Medical Center's estimated total cost of uncompensated care relating to these services and other services are as follows for the years ended April 30:

	2018	2017
Medicare and Medicaid Shortfalls at Cost	$ 39,600,000	$ 33,700,000
Charity Care at Cost	3,500,000	2,600,000
Uncollectible Amounts at Cost	2,400,000	2,600,000
Total Cost of Uncompensated Care	$ 45,500,000	$ 38,900,000

The cost of uncompensated care is estimated using the Medical Center's overall cost to charge ratios. The uncompensated care cost of state Medicaid and other public aid programs is determined by computing the cost of providing that care less amounts paid by the programs.

Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, they are not reported in net patient service revenue. Charges excluded from revenue under the Medical Center's charity care policy were approximately $3,711,000 and $2,698,000 at April 30, 2018 and 2017, respectively.

Attachment – 33B

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS

COMBINED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEARS ENDED APRIL 30, 2017 AND 2016

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
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YEARS ENDED APRIL 30, 2017 AND 2016

CliftonLarsonAllen

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INDEPENDENT AUDITORS' REPORT

Board of Directors
CGH Medical Center
Sterling, Illinois

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of CGH Medical Center, a component unit of the City of Sterling, Illinois, which comprise the combined statements of net position as of April 30, 2017 and 2016, and the related combined statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

Board of Directors
CGH Medical Center

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of CGH Medical Center as of April 30, 2017 and 2016, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 15 and the Schedule of Changes in the Net Pension Liability and Related Ratios on page 46 and Schedule of Employer Contributions on page 47 be presented to supplement the combined financial statements. Such information, although not a part of the combined financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the combined 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 combined financial statements, and other knowledge we obtained during our audit of the combined financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on CGH Medical Center's combined financial statements. The accompanying supplementary information on pages 49 through 52 is presented for purposes of additional analysis and is not a required part of the combined financial statements. The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

The other information on page 53 has not been subjected to the auditing procedures applied in the audit of the combined financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Dixon, Illinois
July 20, 2017

Attachment – 33C

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED APRIL 30, 2017 AND 2016

Introduction

The following discussion and analysis provides an overview of the financial position and activities of CGH Medical Center ("CGH" or the "Medical Center") for the fiscal years ended April 30, 2017 and April 30, 2016. This discussion has been prepared by management and should be read in conjunction with the combined financial statements and the notes thereto, which follow this section.

CGH Medical Center is a progressive acute care facility located in the Rock River Valley region of Northern Illinois. Since opening in 1909, the Medical Center has earned a strong reputation throughout the region and consistently receives high ratings for delivering quality care to our community, positive public awareness and high patient and employee satisfaction. CGH Medical Center is committed to meeting expanding patient needs and to providing leadership in the field of healthcare. This includes broad scale public education and free to low cost early detection activities. The Medical Center employs approximately 1,500 people and the medical staff consists of 140 physicians specializing in 35 areas of medicine.

Inpatient services include a 29-bed medical unit, a 21-bed surgical unit, 10 birthing center suites, 6 pediatric beds, 2 nursery level II beds, 11 bed observation unit, and 18 CCU/Telemetry beds. Outpatient services include two state-of-the-art Cath Labs and a CAP accredited laboratory. Diagnostic imaging services include a PET Scanner, 64 ring CT scanner, nuclear medicine, ultrasound, digital mammography, and an in-house high field MRI. In addition, CGH offers an ambulatory surgical center, a digestive disease center, a pain management clinic, physical and occupational therapy, a diabetic education department, a wound care center, pre-hospital paramedic level EMS, and a 24-hour trauma ready emergency department (ED). The ED features 26 private treatment rooms, six easy care areas, two new trauma rooms, secured access, and streamlined registration. CGH also offers its own Day Care Center adjacent to the campus.

CGH Medical Center has ambulatory clinics in ten communities in Northwest Illinois including Sterling, Rock Falls, Morrison, Tampico, Prophetstown, Walnut, Polo, Milledgeville, Dixon, Mount Carroll, and a Ready Care Clinic in Sterling.

Operational Highlights

CGH Medical Center is a not-for-profit, city-owned hospital located in Sterling that serves a five-county region in Northwestern Illinois. The Medical Center enjoys a 67% market share in its primary service area. Licensed for 99 beds, the Medical Center has provided the following services to patients over the past two fiscal years:

	Fiscal Year 2017	Fiscal Year 2016	Percent Change
Inpatient Admissions	4,628	4,935	-6.2%
Patient Days	14,343	15,275	-6.1%
Emergency Room Visits	28,478	30,098	-5.4%
Surgical Cases	4,178	4,080	2.4%
Cardiac Cath Lab Procedures	664	765	-13.2%
Babies Delivered	553	525	5.3%
Physician Office Visits	237,431	238,700	-0.5%

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED APRIL 30, 2017 AND 2016

Operational Highlights (Continued)

CGH Medical Center continues to strive to improve the overall health of the communities we serve. In conjunction with the roll out of the Affordable Care Act (ACA) and Value Based Purchasing programs implemented by the Centers for Medicare and Medicaid Services (CMS), CGH has put in place numerous community health and wellness programs. These programs include the Community Health Network (CHN). One of the many tasks of the CHN is to assist patients outside of the hospital and clinics to manage their chronic conditions. The nurses or health coaches who are part of the CHN assist patients with education, medication assistance programs, or dietary needs to better manage their diseases.

During the past few years CGH has made a number of significant improvements to its facilities including the renovation of the Medical and Pediatric Units, the addition of a second cath lab, newly constructed Digestive Health Center, Pain Clinic and the Sleep Lab. CGH added an ambulatory clinic in Mount Carroll, Illinois, as well as increasing Clinic hours in Milledgeville, Ready Care and Walnut. CGH added PET scanning capabilities as well with the addition of a new state of the art 64-ring CT scanner. Some of the ongoing projects include renovation of the ambulatory surgical unit, expansion and renovation of the Ready Care Clinic and professional building located in Sterling. This year CGH committed to the development of a master facility plan to ensure our facilities are well maintained and properly designed to handle the evolving needs of the healthcare services provided to our communities for years to come. CGH is also in the process of replacing it's high field MRI with the latest technology, this will significantly improve the image quality of the studies provided to our patients. Over the past few years CGH has added teleservices for Behavioral Health and Stroke to ensure the health needs of our population are being met at the highest level of quality care possible. CGH also added an Electronic Intensive Care Unit (EICU) to ensure critically ill patients have access to Board Certified Intensivists 24 hours a day. Another addition in fiscal year 2017 includes CGH Virtual Care. CGH Virtual Care gives patients access for the treatment of minor illnesses via telephone or video any time of the day.

CGH Medical Center remains committed to using the latest technology to improve patient safety and outcomes. CGH Medical Center is one of the few independent community hospitals in the State of Illinois to reach Stage 6 of the HIMSS Analytics Electronic Health Record (EHR) adoption. CGH is committed to implementing continuous changes within its EHR systems to meet the next stages of Meaningful Use and assist our physicians and staff in their mission to deliver high quality care. These changes include improvements to the patient's access to information through the patient portal, and improving the exchange of patient information with other health centers.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED APRIL 30, 2017 AND 2016

Financial Highlights

The Medical Center takes its financial stewardship responsibility seriously and works hard to manage its financial resources effectively, including the prudent use of debt to finance capital projects.

The Medical Center's financial position remains strong, with assets and deferred outflows of $228.4 million and liabilities and deferred inflows of $111.5 million at April 30, 2017, compared to assets and deferred outflows of $224.9 million and liabilities and deferred inflows of $117.0 million at April 30, 2016. Net position, which represents the residual interest in the Medical Center's assets after liabilities are deducted, totaled $116.9 million at April 30, 2017 as compared to $107.9 million at April 30, 2016. The following table summarizes changes in select financial ratios for the Medical Center:

	Fiscal Year 2017	Fiscal Year 2016	Percent Change	Industry Guideline (BBB+)
Operating Margin (%)	4.1%	9.7%	-58.4%	2.8%
Excess Margin (%)	4.2%	9.9%	-57.3%	5.0%
Current Ratio	2.7	2.3	18.6%	1.9
Days Cash on Hand	181.5	168.1	8.0%	202.6
Days in Accounts Receivable, Net	56.6	50.3	12.6%	43.5
Debt to Capitalization (%)	12.3%	15.1%	-19.0%	32.1%
Average Age of Plant	10.8	10.2	6.2%	11.2
EBIDA Margin (%)	10.0%	15.7%	-36.4%	12.2%

Required Financial Statements

The statements of net position, the statements of revenues, expenses and changes in net position, and the statements of cash flows report information about the Medical Center's activities. These statements report the net position of the Medical Center and changes in them. Increases or improvements, as well as decreases or declines in the net position, are one indicator of the financial state of the Medical Center. Other non-financial factors that should also be considered include changes in economic conditions, population growth (including aging trends and growth in the uninsured), and new or changed government legislation.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED APRIL 30, 2017 AND 2016

Financial Analysis of the Medical Center

The following table summarizes the changes in CGH Medical Center's assets, liabilities, and net position as of April 30, 2017 and 2016:

Condensed Statements of Net Position
(in Millions)

	Fiscal Year 2017	Fiscal Year 2016	Dollar Change	Percent Change
Current and Other Assets	$ 150.6	$ 139.1	$ 11.5	8.3 %
Capital Assets, Net	68.8	74.5	(5.7)	(7.7)
Deferred Outflows	9.0	11.3	(2.3)	(20.4)
Total Assets and Deferred Outflows	$ 228.4	$ 224.9	$ 3.5	1.6 %
Long-Term Debt Outstanding	$ 78.2	$ 86.3	$ (8)	(9.4)%
Other Liabilities	30.0	30.0	-	-
Deferred Inflows	3.3	0.7	2.6	371.4
Total Liabilities and Deferred Inflows	111.5	117.0	(5.5)	362.0
Net Position:				
Investment in Capital Assets	49.7	50.9	(1.2)	(2.4)
Restricted	5.8	5.4	0.4	7.4
Unrestricted	61.4	51.6	9.8	19.0
Total Net Position	116.9	107.9	9.0	8.3
Total Liabilities, Deferred Inflows and Net Position	$ 228.4	$ 224.9	$ 3.5	1.6 %

The following table summarizes the changes in CGH Medical Center's assets, liabilities, and net position as of April 30, 2016 and 2015:

Condensed Statements of Net Position
(in Millions)

	Fiscal Year 2016	Fiscal Year 2015	Dollar Change	Percent Change
Current and Other Assets	$ 139.1	$ 117.6	$ 21.5	18.3 %
Capital Assets, Net	74.5	78.6	(4.1)	(5.2)
Deferred Outflows	11.3	7.5	3.8	-
Total Assets and Deferred Outflows	$ 224.9	$ 203.7	$ 21.2	10.4 %
Long-Term Debt Outstanding	$ 86.3	$ 86.3	$ -	- %
Other Liabilities	30.0	30.7	(0.7)	(2.3)
Deferred Inflows	0.7	1.0	(0.3)	(30.0)
Total Liabilities and Deferred Inflows	117.0	118.0	(1.0)	(0.8)
Net Position:				
Investment in Capital Assets	50.9	52.1	(1.2)	(2.3)
Restricted	5.4	5.2	0.2	3.8
Unrestricted	51.6	28.4	23.2	81.7
Total Net Position	107.9	85.7	22.2	25.9
Total Liabilities, Deferred Inflows and Net Position	$ 224.9	$ 203.7	$ 21.2	10.4 %

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED APRIL 30, 2017 AND 2016

Financial Analysis of the Medical Center (Continued)

During fiscal year 2017, CGH Medical Center's net position increased by $9.0 million. Factors contributing to this increase are discussed in the following analysis of the Medical Center's Condensed Statements of Revenues, Expenses and Changes in Net Position:

Condensed Statements of Revenues, Expenses and Changes in Net Position
(in Millions)

	Fiscal Year 2017	Fiscal Year 2016	Dollar Change	Percent Change
Net Patient Services Revenues	$ 211.5	$ 219.3	$ (7.8)	(3.6)%
Other Operating Revenues	2.9	4.3	(1.4)	(32.6)
Total Operating Revenues	214.4	223.6	(9.2)	(4.1)
Operating Expenses	194.0	189.6	4.4	2.3
Depreciation and Amortization	11.7	12.2	(0.5)	(4.1)
Total Operating Expenses	205.7	201.8	3.9	1.9
Operating Income	8.7	21.8	(13.1)	(60.1)
Non-Operating Revenues (Expenses), Net	0.3	0.4	(0.1)	(25.0)
Change in Net Position	$ 9.0	$ 22.2	$ (13.2)	(59.5)%

During fiscal year 2016, CGH Medical Center's net position increased by $22.2 million. Factors contributing to this increase are discussed in the following analysis of the Medical Center's Condensed Statements of Revenues, Expenses and Changes in Net Position.

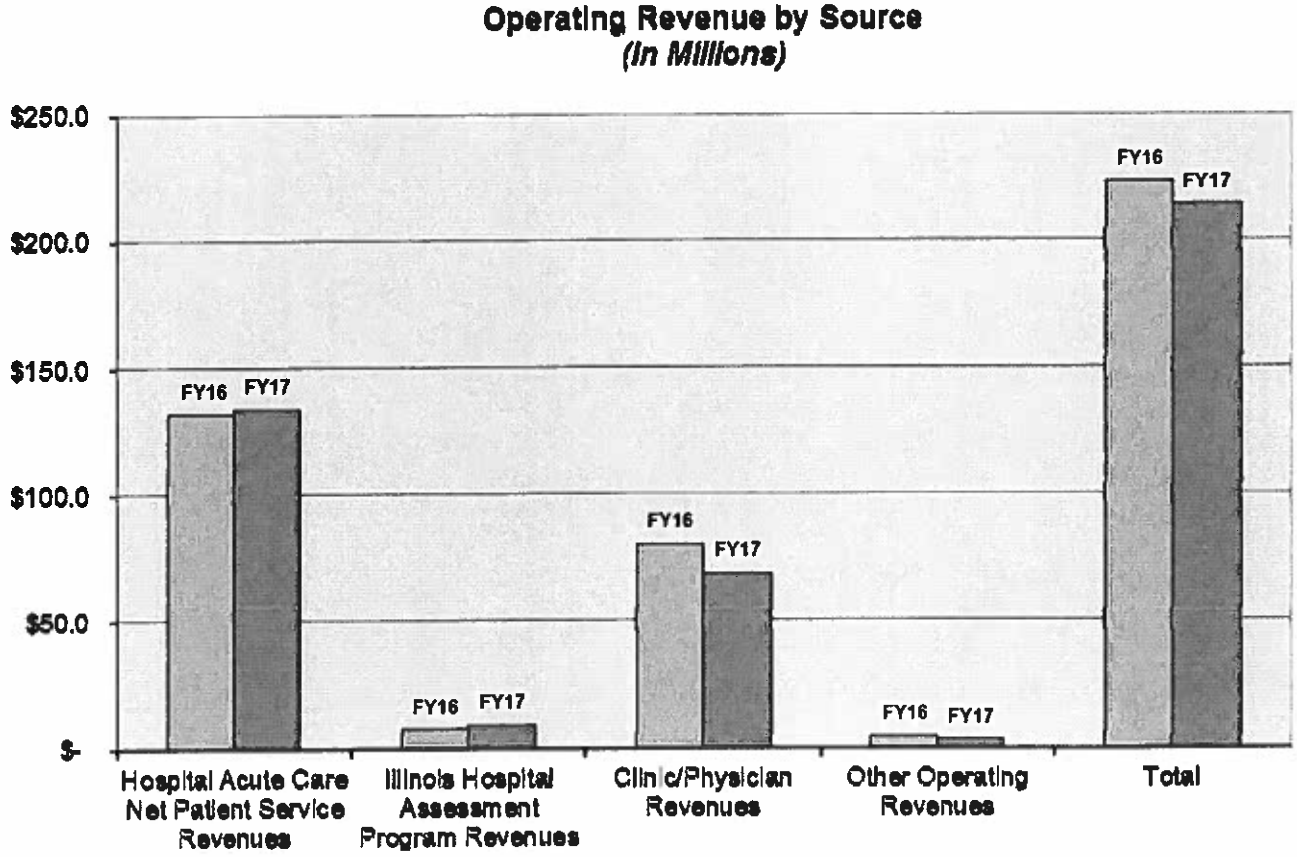
Condensed Statements of Revenues, Expenses and Changes in Net Position
(in Millions)

	Fiscal Year 2016	Fiscal Year 2015	Dollar Change	Percent Change
Net Patient Services Revenues	$ 219.3	$ 199.8	$ 19.5	9.8 %
Other Operating Revenues	4.3	4.6	(0.3)	(6.5)
Total Operating Revenues	223.6	204.4	19.2	9.4
Operating Expenses	189.6	183.5	6.1	3.3
Depreciation and Amortization	12.2	11.5	0.7	6.1
Total Operating Expenses	201.8	195.0	6.8	3.5
Operating Income	21.8	9.4	12.4	131.9
Non-Operating Revenues (Expenses), Net	0.4	2.9	(2.5)	(86.2)
Change in Net Position	$ 22.2	$ 12.3	$ 9.9	80.5 %

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED APRIL 30, 2017 AND 2016

Operating Revenues

The following chart presents the distribution of total operating revenues by source for the fiscal years ended April 30, 2017 and 2016:



The Medical Center derived approximately 63% of its total operating revenues from hospital based inpatient care and outpatient services, 4% from the Illinois Medicaid Hospital Assessment program, 32% from physician services, and 1% from other operating revenue sources which include lease revenues, cafeteria sales, and rental income. Significant fluctuations in revenue between fiscal years are noted in the discussion below.

The Medical Center continues to benefit from Illinois' gaining CMS approval for the Medicaid Hospital Assessment program. The Assessment program provides CGH with $8.8 million in supplemental federal payments to offset Medicaid shortfalls. Under current legislation, this Program is effective through June 30, 2018.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED APRIL 30, 2017 AND 2016

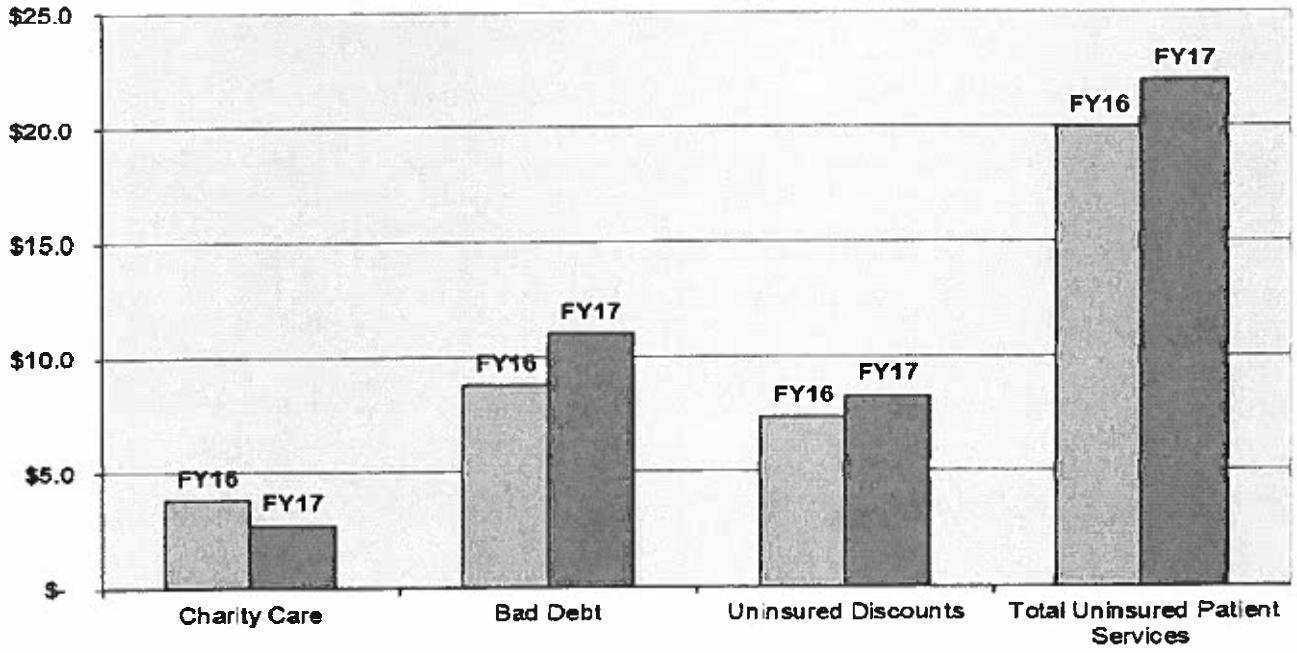
Payer Mix

As noted in the table below, the Medical Center's gross payer mix has some varying changes from the prior year. The Medical Center experienced a decrease in Medicare and Commercial payers and an increase in Medicaid payers.

Payer	Fiscal Year 2017	Fiscal Year 2016	Percent Change
Medicare	48.1 %	48.7 %	(0.6)%
Medicaid	18.5	17.7	0.8
Blue Cross	13.9	13.9	-
Commercial	16.4	16.6	(0.2)
Self-Pay	2.7	2.7	-
Other	0.4	0.4	-
Total	100.0 %	100.0 %	0.0%

Services provided to patients without a source of insurance (self-pay) or other financial means to pay for their healthcare have a major influence on the revenue and operating performance of a hospital. These services are generally comprised of charity care provided to patients who receive financial assistance and the write-off of bad debts. Often patients who end up with accounts in bad debt could have qualified for financial assistance but failed to apply. To assist patients without insurance, the Medical Center continues to implement a program that provides discounts to the uninsured. Total revenues foregone as charity care, bad debt, and uninsured discounts are reflected in the table below:

Patient Care Services Provided to the Uninsured
(In Millions)

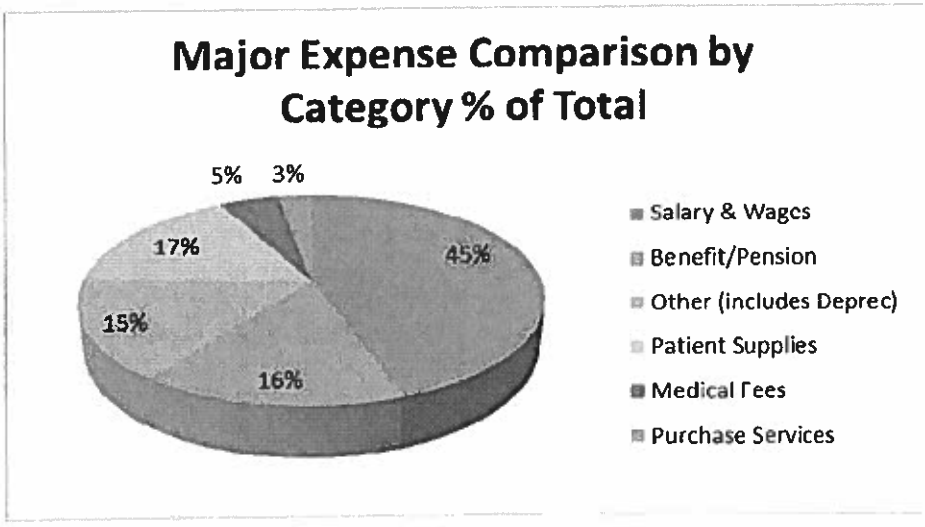


CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED APRIL 30, 2017 AND 2016

Payer Mix (Continued)

Charity care, bad debt and self-pay discounts combined totaled $22.0 million which is a $2.0 million increase as compared to the prior fiscal year. The Affordable Care Act (ACA) has allowed States to expand Medicaid coverage to its residents who meet specific income level requirements. Effective January 1, 2014, Illinois expanded medical coverage to adults under the new ACA program. The program has significantly reduced the number of uninsured by providing affordable coverage options through Medicaid and new Health Insurance Exchanges.

Operating Expenses



Fiscal year 2017 operating expenses totaled $205.9 million. This represents a 2.0% increase over the previous fiscal year. Medical Center expense categories that experienced significant change include: salary and wages, employee benefits, pension expense, patient service supplies, as noted in the discussion below:

- Salary and wage increased approximately $2.0 million and is attributable to the following: the hiring of additional providers which resulted in increased production and thus compensation to the providers increased. Other factors affecting salaries include annual merit increases and market wage adjustments.

- Employee benefits decreased $2.4 million due to medical and dental health insurance claims lower in fiscal year 2017.

- Pension expense increased approximately $2.5 million due to implementing a new accounting standard in the prior year, requiring the recognition of additional pension liabilities and assets to be recognized and reported within the entity financial statements.

- Patient service supplies increased approximately $2.0 million primarily due to an increase in drug costs.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED APRIL 30, 2017 AND 2016

Non-Operating Activities

Non-operating activities are comprised of donations received and contributions given by the CGH Health Foundation (the Foundation), income from investments offset by interest expense, gains or losses on asset disposals, and increases in the balances of the Medical Center's two beneficial interest in affiliates, as discussed in the notes to the combined financial statements.

During fiscal year 2017, non-operating revenues (expenses) decreased by approximately $12,000 as compared to the prior year.

Capital Assets

During fiscal year 2017, the Medical Center invested approximately $6.0 million in capital assets as compared to approximately $7.8 million in fiscal year 2016. A comparison of major capital asset classifications is noted in the table below:

Capital Assets
(in Millions)

	Fiscal Year 2017 Actual	Fiscal Year 2016 Actual	Dollar Variance	Percent Variance
Land and Land Improvements	$ 6.9	$ 6.8	$ 0.1	1 %
Building and Leasehold Improvements	90.1	89.3	0.8	1
Equipment	95.7	100.1	(4.4)	(4)
Subtotal	192.7	196.2	(3.5)	(2)
Less: Accumulated Depreciation	(125.4)	(122.3)	(3.1)	3
Construction in Progress	1.5	0.6	0.9	150
Total Capital Assets, Net	$ 68.8	$ 74.5	$ (5.7)	(8)%

Significant asset additions put into service during the fiscal year include the following:

a. Cerner App Tier Migration – $676,000 was put into service. Migration of the Cerner application nodes from HPUX to Linux and upgrade the Cerner code to the latest service pack level.

b. CCU Hardwire Patient Monitors - $291,000 was put into service. Critical care hardwire for the cardiac monitors were replaced.

c. Pyxis Anesthesia System - $246,000 was put into service. Seven Pyxis machines were purchased for placement in each of the OR rooms and the OB c-section room to replace the current manual system being used for the drug administration and labeling.

d. There has been a total investment of $1.5 million in the current fiscal year toward various projects that are not yet in service. Significant projects in process include the following: Hospital Billing System, $795,000; and GE Fetal Surveillance System, $146,000.

Capital Assets (Continued)

Significant asset additions put into service during the prior fiscal year included the following:

a. Medical Floor (3E) Renovation – $457,000 was put into service. The medical floor was completely renovated including patient rooms, hallways, and nurses' stations. This renovation included new flooring, painting, window treatments, cubical curtains, bathroom sink countertops, nurses' station work surface, medication room work surface, wall protection, and wall removal to expand storage.

b. PET/CT units - $2,286,000 was put into service. The diagnostic imaging department purchased and installed a 64 slice CT unit and a hybrid 64 slice PET/CT unit. The purchase of the PET unit allowed CGH to now offer this service that formerly Northern Illinois Cancer Treatment Center was offering patients.

c. Inpatient and Outpatient Pharmacy Renovation - $657,000 was put into service. With the additional outpatient pharmacy service being offered to CGH employees both the inpatient and outpatient pharmacy space was renovated to accommodate this new service.

d. Mitel Phone System - $428,000 was put into service. The beginning stages of the replacement of all phones located at the physician offices was capitalized. This project includes new Mitel voice over IP phones, a new automated call distribution system and two server blades for processing requirements.

Smaller projects for both fiscal years include normal furniture and equipment replacements and upgrades to existing hardware and software applications.

Overall, net capital assets decreased from the prior fiscal year by approximately $5.7 million.

Long-Term Liabilities

At fiscal 2017 year-end, the Medical Center had cumulative short-term and long-term debt and net pension liability of approximately $78.2 million, a decrease of approximately $8.0 million from the prior year. The Medical Center's long-term debt consists of City of Sterling General Obligation Refunding Bonds issued during fiscal year 2013.

More detailed information about the Medical Center's long-term liabilities is presented in the notes to the combined financial statements. Note that cumulative short-term and long-term debt represents 17% of the Medical Center's total liabilities as of year-end.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED APRIL 30, 2017 AND 2016

Community Contribution and Community Health Services

CGH Medical Center strives to effectively communicate its policies and procedures related to its community benefits in the area of discounted and free services for the medically indigent, frail elderly, and underserved populations of its service area. CGH provides public information on charity programs and assistance with the application process for public aid. The Medical Center maintains policies on discounting for patients who do not qualify for financial assistance and offers alternative means of payment. The financial impact of these programs is reported, at cost, in the table below and represents the amounts of subsidized services that are provided to patients in the community:

Statement of Community Contribution
(in Millions)

	Fiscal Year 2017	Fiscal Year 2016	Percent Variance
Benefits Provided to the Community (at Cost)			
Medicare Shortfall	$ 17.6	$ 16.5	6.7 %
Medicaid Shortfall	13.8	12.3	12.2
Charity Care	0.6	0.9	(33.3)
Bad Debt (Net of Recoveries)	2.6	2.0	30.0
Discounts to the Uninsured	1.9	1.7	11.8
Total	$ 36.5	$ 33.4	9.3 %

CGH Medical Center provides services without charge or at amounts less than its established rates, to patients who meet the criteria of its charity policy. The criteria for charity care considers family income, net worth, household size, financial status, and extent of financial obligations for healthcare services. Sliding scale discounts are provided based upon family size and household income.

The net cost of charity care provided was approximately $628,000 in 2017 and $866,000 in 2016. The total cost estimate is based on the Medicare cost to charge ratio for the most recently filed cost report. The IL Medicaid Expansion program has impacted the cost of charity care as more patients are qualifying for Medicaid.

In 2017, 0.4% of all services provided in a physician office setting were provided on a charity basis. In 2016, 0.4% of services (similarly measured) were charity.

In 2017, 2.0% of all services provided in a hospital setting were provided on a charity basis. In 2016, 1.1% of services (similarly measured) were charity.

In 2017, 242 patients out of 54,199 unique patients seen in a physician clinic setting received charity care. In 2016, 247 patients out of 55,194 unique patients seen in a physician clinic setting received charity care. Of those 242 patients, 48% received their entire episode on a charity basis and 52% received a partial subsidy. In 2016, of a total 247 clinic patients, 55% received their entire episode on a charity basis and 45% received a partial subsidy.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED APRIL 30, 2017 AND 2016

Community Contribution and Community Health Services (Continued)

For services provided in 2017 in a hospital setting, 1,697 patients out of 87,004 patients seen received charity care. In 2016, 1,035 patients out of 91,543 patients seen in a hospital setting received charity care. In 2017, of a total 1,697 hospital patients, 25% received their entire episode on a charity basis and 75% received a partial subsidy. In 2016, of a total of 1,035 hospital patients, 35% received their entire episode on a charity basis and 65% received a partial subsidy.

The largest portion of physician clinic services provided on a charity basis was for surgical services, ancillary services such as lab tests, diagnostic imaging, and therapeutic services.

The most prevalent services provided on a charity basis in a hospital setting include emergency services and outpatient service visits such as diagnostic imaging tests.

Population Health Management and Community Services work closely to form the Community Health Network (CHN). This program's goal is to improve care coordination and quality of care by managing patients with chronic disease as well as identifying high-risk patients and monitoring clinical outcomes. This goal is accomplished by providing these high risk patients with experienced RN care to help keep the participant in their home where they want to be. In an effort to reduce the overall hospital readmission rate, the CHN is now evaluating each inpatient based on the LACE scoring system. This scoring system identifies inpatients who are at higher risk to be readmitted to the hospital. The CHN nurses will partner with patients who meet the high risk criteria in hope to prevent the readmission. Additionally, one home health nurse attends the daily discharge planning meetings to identify patients who would benefit from home nursing services further preventing a readmission.

In addition to implementing the readmission prevention program, the CHN program has initiated the Patient Nurse Navigator (PNN) role on the inpatient units. CHN nurses and the PNN collaborate on a daily basis to identify patients who are at high risk for readmission. This program is also designed to enhance the discharge process.

The Pharmacy is also collaborating with the CHN to prevent readmissions by enhancing the medication reconciliation process. Medication Technicians are available 7 days a week to perform a thorough medication reconciliation at the time of admission and will carry through to the discharge process. Medication reconciliation during the patient's stay is vital to preventing readmissions.

In addition to the programs noted above, CGH is a generous donor in the community. In fiscal 2017, the Medical Center contributed $365,885 to 84 community organizations.

The Medical Center is the largest employer in Whiteside County. In fiscal 2017, the Medical Center provided $122.9 million in economic support through the payment of salaries and benefits to employees who reside in the community. CGH is the proud employer of 1,554 employees who have an average length of service of 10 years. The CGH Auxiliary donated 22,868 in volunteer hours during fiscal 2017 assisting patients, families and staff members in a variety of CGH Medical Center departments. The Auxiliary also awarded $10,000 in scholarship funds. A donation was made by the Auxiliary to the Hospital for the bariatric binder lift system. The total value of the CGH Auxiliary's philanthropy is $580,876.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED APRIL 30, 2017 AND 2016

Contacting the Medical Center's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers, investors, and creditors with a general overview of the Medical Center's finances and to show the Medical Center's accountability for the money they receive. Questions about this report and requests for additional financial information should be directed to the Medical Center's administrative office by telephoning 815-625-0400.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
COMBINED STATEMENTS OF NET POSITION
APRIL 30, 2017 AND 2016

	2017	2016
CURRENT ASSETS		
Cash and Cash Equivalents	$ 45,194,546	$ 37,453,979
Patient Accounts Receivable, Less Allowance for Uncollectible Accounts of $12,935,104 for 2017 and $11,704,120 for 2016	32,823,505	30,245,032
Other Receivables	1,328,651	1,358,899
Estimated Third-Party Payor Settlements Receivable	1,546,705	1,185,949
Due from Beneficial Interest	266,204	206,466
Inventories	3,854,363	3,579,134
Accrued Interest Receivable	241,072	190,068
Prepaid Expenses	2,588,847	3,121,247
Total Current Assets	87,843,893	77,340,774
OTHER ASSETS		
Investments	51,250,014	49,915,090
Assets Limited as to Use	5,800,091	5,435,294
Capital Assets, Net	68,785,245	74,456,509
Other Assets	968,899	1,179,564
Beneficial Interest in Affiliates	4,811,140	5,330,530
Total Other Assets	131,615,389	136,316,987
Total Assets	219,459,282	213,657,761
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Deferred Outflows	8,951,274	11,286,003
Total Assets and Deferred Outflows of Resources	$ 228,410,556	$ 224,943,764
CURRENT LIABILITIES		
Accounts Payable	$ 4,082,119	$ 3,674,518
Accrued Salaries, Wages, and Benefits	11,093,679	11,325,831
Accrued Malpractice	1,331,597	1,067,353
Current Maturities of Note Payable	-	1,542,749
Current Maturities of Bonds Payable	2,750,000	2,695,000
Estimated Third-Party Payor Settlements Payable	9,711,257	9,322,758
Other Current Liabilities	3,838,830	4,639,493
Total Current Liabilities	32,807,482	34,267,702
LONG-TERM LIABILITIES		
Bonds Payable, Less Current Maturities and Net of Unamortized Premium of $1,000,615 for 2017 and $1,179,830 for 2016	16,350,615	19,279,830
Net Pension Liability	59,092,817	62,705,075
Total Long-Term Liabilities	75,443,432	81,984,905
DEFERRED INFLOWS OF RESOURCES		
Pension Related Deferred Inflows	3,267,884	711,215
NET POSITION		
Net Investment in Capital Assets	49,684,630	50,938,930
Restricted for:		
Health Development	5,800,091	5,435,294
Unrestricted	61,407,037	51,605,718
Total Net Position	116,891,758	107,979,942
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 228,410,556	$ 224,943,764

See accompanying Notes to Combined Financial Statements.

Attachment – 33C

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED APRIL 30, 2017 AND 2016

	2017	2016
OPERATING REVENUES		
Net Patient Service Revenues, Net of Provision for Bad Debts of $11,006,051 for 2017 and $8,783,002 for 2016	$ 211,501,930	$ 219,346,382
Other Operating Revenues	2,883,543	4,334,367
Total Operating Revenues	214,385,473	223,680,749
OPERATING EXPENSES		
Salaries and Wages	92,025,786	89,993,210
Employee Benefits	22,530,899	24,884,742
Pension Expense	9,680,207	7,166,235
Medical Fees	9,966,191	10,173,570
Patient Service Supplies	34,810,952	32,739,132
Utilities	2,068,451	2,080,568
Purchased Services	5,551,823	5,557,554
Repairs and Maintenance	7,492,613	7,204,307
Depreciation and Amortization	11,748,904	12,167,729
Insurance	2,038,806	2,081,752
Rental Expense	902,396	976,278
Other	6,876,775	6,867,894
Total Expenses	205,693,803	201,892,971
OPERATING INCOME	8,691,670	21,787,778
NONOPERATING REVENUES (EXPENSES)		
Contributions Received (Paid), Net	(335,392)	366,587
Investment Income	1,742,533	681,448
Interest Expense	(540,344)	(669,407)
Loss on Disposal of Capital Assets	(120,224)	(55,505)
Change in Beneficial Interest in Affiliates	(369,389)	66,501
Total Nonoperating Revenues	377,184	389,624
CHANGE IN NET POSITION, BEFORE INCOME TAXES	9,068,854	22,177,402
PROVISION FOR INCOME TAXES	157,038	-
CHANGE IN NET POSITION	8,911,816	22,177,402
Net Position - Beginning of Year	107,979,942	85,802,540
NET POSITION - END OF YEAR	$ 116,891,758	$ 107,979,942

See accompanying Notes to Combined Financial Statements.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED APRIL 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from and on Behalf of Patients	$ 207,606,705	$ 214,863,044
Other Receipts and Payments, Net	2,545,707	4,024,572
Payments to Employees	(122,073,482)	(123,875,209)
Payments for Contractual Services	(7,828,253)	(10,219,646)
Payments for Other Operating Expenses	(61,423,024)	(59,075,826)
Net Cash Provided by Operating Activities	18,827,653	25,716,935
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Contributions Received (Paid), Net	(335,392)	366,587
Net Cash Provided (Used) by Non-Capital Financing Activities	(335,392)	366,587
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of Capital Assets	(5,987,199)	(7,831,592)
Principal Paid on Long-Term Debt	(4,237,749)	(2,884,860)
Interest Paid on Long-Term Debt	(719,559)	(848,621)
Net Cash Used by Capital Financing Activities	(10,944,507)	(11,565,073)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income	1,742,533	714,338
Distributions from Beneficial Interest Membership	150,000	-
Proceeds from Sales and Maturities of Investments and Assets Limited as to Use	29,415,457	32,038,827
Purchases of Investments and Assets Limited as to Use	(31,105,190)	(38,404,251)
Net Cash Provided (Used) by Investing Activities	202,800	(5,651,086)
INCREASE IN CASH AND CASH EQUIVALENTS	7,750,554	8,867,363
Cash and Cash Equivalents - Beginning of Year	37,514,733	28,647,370
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 45,265,287	$ 37,514,733

See accompanying Notes to Combined Financial Statements.

Attachment – 33C

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED APRIL 30, 2017 AND 2016

	2017	2016
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	$ 8,691,670	$ 21,787,778
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	11,748,904	12,167,729
Provision for Bad Debts	11,006,051	8,783,002
Provision for Income Tax	(157,038)	-
(Increase) Decrease in Operating Assets:		
Patient Accounts Receivable, Net	(13,584,524)	(13,326,466)
Accrued Interest Receivable	(51,004)	(10,355)
Other Accounts Receivable	30,248	(252,263)
Estimated Third Party Payor Settlements	27,743	60,126
Due from Beneficial Interest	(59,738)	(57,532)
Inventories	(275,229)	(469,603)
Prepaid Expenses	532,400	(466,810)
Deferred Outflow of Resources	2,334,729	(3,744,704)
Deferred Inflow of Resources	2,556,669	(263,716)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	407,601	(667,649)
Accrued Liabilities	(768,571)	(826,894)
Net Pension Liability	(3,612,258)	3,004,292
Net Cash Provided by Operating Activities	$ 18,827,653	$ 25,716,935
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE COMBINED STATEMENTS OF NET POSITION		
Current Assets:		
Cash and Cash Equivalents	$ 45,194,546	$ 37,453,979
Assets Limited as to Use:		
Cash Equivalent Funds	70,741	60,754
	$ 45,265,287	$ 37,514,733
CASH FLOW DISCLOSURES		
Capital Asset Purchases in Account Payable	$ 603,748	$ 262,678

Attachment – 33C

See accompanying Notes to Combined Financial Statements.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
NOTES TO COMBINED FINANCIAL STATEMENTS
APRIL 30, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

CGH Medical Center (the Medical Center) is a component unit of the City of Sterling, Illinois and is governed by the board of directors of CGH Medical Center. The Medical Center's inpatient, outpatient, and emergency care services are for residents of north central Illinois. Admitting physicians are primarily local practitioners. The Medical Center's fiscal year ends on April 30.

Reporting Entity

For financial reporting purposes, the Medical Center has included all funds, organizations, account groups, agencies, boards, commissions, and authorities. The Medical Center has also considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Medical Center are such that exclusion would cause the Medical Center's combined financial statements to be misleading or incomplete. The Government Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the organization to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Medical Center. As required by the Governmental Accounting Standards Board criteria, the combined financial statements include CGH Medical Center (the primary government) and its blended component units, CGH Health Centers (formerly the Sterling Rock Falls Clinic), Rock River Health, Inc., and CGH Health Foundation, Inc. The Medical Center is considered a part of the reporting entity of the City of Sterling, Illinois and is included in the City's financial statement as a component unit. Collectively, CGH Medical Center and its blended component units are referred to as "the Medical Center", unless identified individually. The Medical Center and its component units do not have separately issued financial statements.

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Accounting

For financial reporting purposes, the Medical Center is considered a component unit of the City of Sterling, Illinois, engaged only in business-type activities. Accordingly, the Medical Center's combined financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
NOTES TO COMBINED FINANCIAL STATEMENTS
APRIL 30, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards of Accounting and Financial Reporting

Due to its relationship with the City, the Medical Center is subject to the application of accounting pronouncements issued by the GASB.

The accompanying combined financial statements have been presented in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles") in accordance with the American Institute of Certified Public Accountants' audit and accounting guide, Health Care Entities, and other pronouncements applicable to health care organizations and guidance from the Governmental Accounting Standards Board (GASB), where applicable. The combined financial statements include all of the accounts of the Medical Center.

Cash and Cash Equivalents

Cash and cash equivalents (excluding those assets limited as to use) include liquid investments with maturities of three months or less when purchased.

Patient Accounts Receivable and Credit Policies

Patient accounts receivable are uncollateralized patient and third-party payer obligations which generally require payment within thirty days from invoice date. Statements are sent out approximately every thirty days. On the fourth statement the account is considered delinquent and a collection letter is sent. The account is turned over to collection at approximately one hundred twenty days, unless the patient account has been set-up on a payment plan. At the time they are turned over to collection, they are also written off as uncollectible.

Payments of patient accounts receivable are applied to the specific invoices identified on the customers remittance advice or, if unspecified, research is done to identify invoices paid, if invoices cannot be identified, the payment goes against the earliest invoice outstanding.

The carrying amount of patient accounts receivable is reduced by valuation allowances that reflect management's best estimate of amounts that will not be collected. Management uses a system for estimating third-party contractual allowances and losses for uncollectible accounts, whereby certain percentages of patient service revenue for each of these allowances is recorded on a monthly basis as an offset to patient service revenue and patient accounts receivable. The percentages used by management are based off of historical trends in Federal and State governmental and private employer health care coverage and trends with final adjustments made when private person cost reports are filed, if applicable. Periodically management reviews outstanding accounts for creditworthiness.

Inventories

General stores, pharmacy and other inventories are carried at lower of cost or market, cost being determined on the "average" basis of accounting.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
NOTES TO COMBINED FINANCIAL STATEMENTS
APRIL 30, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and Investment Income

State statutes authorize the Medical Center to invest in obligations of the United States of America or its agencies (or guaranteed by the full faith and credit of the same) and certain time deposits and short-term obligations as defined in the Public Fund Investment Act.

Investments in debt and equity securities are carried at fair value which is determined using selected basis. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in nonoperating income when earned.

Fair Value of Financial Instruments

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Medical Center emphasizes that fair value is a market-based measurement, not an entity-specific measurement.

Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Medical Center has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Medical Center also follows the policy of valuing certain financial instruments at fair value. This accounting policy allows entities the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. The Medical Center elected to measure investments at fair value as permitted. The Medical Center may elect to measure newly acquired financial instruments at fair value in the future.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
NOTES TO COMBINED FINANCIAL STATEMENTS
APRIL 30, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments (Continued)

Securities are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Securities valued using Level 1 inputs included those traded on an active exchange, such as the New York Stock Exchange. Securities valued using Level 2 inputs include U.S. government and agency obligations and certificates of deposit.

Assets Limited as to Use

Assets limited as to use include assets for health development which donors have contributed for specific purposes or assets that have been designated by the board over which the board retains control and may, at its discretion, subsequently use for other purposes.

Capital Assets

Capital asset acquisitions are recorded at cost. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Contributed assets are recorded at their estimated fair value at the time of their donation. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation is provided over the estimated useful life of each class of depreciable assets ranging from 3 to 40 years, and is computed using the straight-line method.

Long-lived Assets

Management evaluates its long-lived assets for possible impairment whenever events or circumstances indicate that the carrying amount of the asset, or related group of assets, may not be recoverable from estimated future cash flows. Measurement of the amount of the impairment, if any, may be based on independent appraisals, established market values of comparable assets or estimates of future discounted cash flows expected to result from the use and disposition of the assets. The estimates of these future cash flows are based on assumptions and projections believed by management to be reasonable. These subjective judgments take into account assumptions about revenue and expense growth rates, patient volumes, changes in payer mix, regulations and other factors.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
NOTES TO COMBINED FINANCIAL STATEMENTS
APRIL 30, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Benefits for vacation, holidays, personal days, funeral days, and sick days are combined into one program called Earned Time Off (ETO). Employees' compensated absences are accrued when earned. The employees earn ETO days at varying rates depending on years of service. Employees may accumulate ETO hours earned. Up to 80 hours of ETO earned and accrued in excess of 480 hours (60 days) may be bought back from the employee in July of each year. The obligation and expenditure incurred during the year are recorded as salaries, wages, and benefits in the statements of net position, and as a component of employee benefits in the statements of activities.

Long-Term Liabilities

Long-term liabilities include principal amounts of bonds payable with contractual maturities greater than one year. Also included in long-term liabilities is net pension liability for pension benefits employees have earned.

Net Position

The Medical Center's net position is classified as follows:

Net investment in capital assets consists of capital assets net of accumulated depreciation reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets.

Restricted net position is net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors. The restricted amounts for health development consist of amounts designated internally or donated by various individuals, estates, grants, etc. These funds are restricted internally or by the donors for specific purposes.

Unrestricted net position is remaining net assets that do not meet the definition of *net investment in capital assets or restricted.*

Risk Management

The Medical Center is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; medical malpractice; employee injuries and illnesses; natural disasters and employee health, dental, and accident benefits. See Note 12 - Self Insurance Plan for a description of the employee health insurance coverage and Note 14 - Malpractice Insurance for a description of the professional liability insurance.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
NOTES TO COMBINED FINANCIAL STATEMENTS
APRIL 30, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Regulatory Investigation

The U.S. Department of Justice, other federal agencies and the Illinois Department of Public Aid routinely conduct regulatory investigations and compliance audits of health care providers. The Medical Center is subject to these regulatory efforts. Management is currently unaware of any regulatory matters which may have a material effect on the Medical Center's financial position or results from operations.

Classification of Revenues and Expenses

The Medical Center has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating Revenues

Operating revenues include activities that have the characteristics of exchange transactions, such as patient service revenues. The statements of Revenues, Expenses and Changes in Net Position include an intermediate measure of operations, income from operations that represents the activity of the ongoing operations of the Medical Center. Other income and expense, excluded from operating income, consists primarily of nonrecurring transactions and transactions that are outside of the Medical Center's primary activities.

Operating Expenses

Operating expenses are all expenses incurred to provide healthcare related services, other than financing costs.

Nonoperating Revenues

Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as other revenue sources that are defined as nonoperating revenues by GASB for example, investment income and contributions.

Net Patient Service Revenue

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs and discounted charges. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Charity Care

The Medical Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as patient service revenue. Charity care includes the amount of costs forgone for services and supplies furnished under its charity care policy and was approximately $2,500,000 and $2,600,000 for the years ended April 30, 2017 and 2016, respectively. Charity care cost was determined on the application of the associated cost-to-charge ratios.

Electronic Health Record Incentive Payments

As discussed in Note 8, the Medical Center received funds under the Electronic Health Records (EHR) Incentive Program during fiscal year 2017 and 2016. The Medical Center recognizes revenue at the completion of the EHR reporting period and when all meaningful use objectives and any other specific grant requirements that are applicable are met.

Income Taxes

CGH Medical Center is a component unit of the City of Sterling, Illinois and therefore is exempt from tax.

Rock River Health, Inc. and CGH Health Foundation, Inc., blended component units of CGH Medical Center, are not-for-profit corporations and have been recognized as tax exempt pursuant to Sec. 501(c)(3) of the Internal Revenue Code.

The Medical Center applies the income tax standard for uncertain tax positions. This standard clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements in accordance with the income tax standard. This standard prescribes recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized.

Advertising

The Medical Center expenses advertising costs as incurred.

Beneficial Interest in Affiliates

Effective March 3, 1988, The Medical Center entered into an agreement with Katherine Shaw Bethea Hospital, to become a 50% member of Northern Illinois Cancer Treatment Center ("NICTC"), a not for profit corporation. NICTC provides radiation treatment services to residents in North Central Illinois. The Hospital accounts for the beneficial interest in affiliate based on their share of book value, which they believe approximates fair value. The beneficial interest as of April 30, 2017 and 2016 is approximately $4,095,000 and $4,412,000, respectively. The Medical Center analyzes the beneficial interest in NICTC annually for impairment.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Beneficial Interest in Affiliates (Continued)

Effective August 29, 2001, The Medical Center entered into an agreement with Katherine Shaw Bethea Hospital, to become 50% member of Northern Illinois Home Medical Supply ("NIHMS"), a not for profit corporation. NIHMS provides necessary medical supplies to residents in the North Central Illinois. The Hospital accounts for the beneficial interest in affiliate based on their share of book value, which they believe approximates fair value. The beneficial interest as of April 30, 2017 and 2016 is approximately $716,000 and $919,000, respectively. The Medical Center analyzes the beneficial interest in NIHMS annually for impairment. In Fiscal Year 2017, NIHMS distributed $150,000 to the Medical Center.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Illinois Municipal Retirement Fund (IMRF) and additions to/deductions from IMRF fiduciary net position have been determined on the same basis as they are reported by IMRF.

Deferred Inflows of Resources

Deferred inflows of resources are defined as an acquisition of net position that applies to future periods. Deferred inflows of resources consist of unrecognized items associated with net pension liability and annual pension expense.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Estimated Malpractice Costs

The provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Reclassifications

Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 presentation. The reclassifications had no effect on the changes in net position.

NOTE 2 DEPOSITS, INVESTMENTS AND ASSETS LIMITED AS TO USE

Deposits

The carrying amount of the Medical Center's cash and deposits was $45,194,546 and $37,453,979 at April 30, 2017 and 2016, respectively. The bank balances totaled $45,922,367 and $38,081,294 at April 30, 2017 and 2016, respectively. Cash on hand was $5,795 and $5,770 at April 30, 2017 and 2016, respectively.

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NOTE 2 DEPOSITS, INVESTMENTS AND ASSETS LIMITED AS TO USE (CONTINUED)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Medical Center's deposits may not be returned to it. The Medical Center's investment policy allows that funds on deposit with one institution shall not represent more than 50% of the Medical Center's Invested Funds at any one time. Additionally, the Medical Center allows that funds on deposit in excess of FDIC limits must be secured by some form of collateral held by the institutions in the name of the Medical Center.

Investments

As of April 30, 2017 and 2016, the Medical Center had the following investments:

Investment Maturities (in Years) at April 30, 2017

	Fair Value	Less Than 1	1-5	6-10	10 or More	Rating
Certificate's of Deposit	$ 24,834,128	$ 16,526,354	$ 8,057,774	$ 250,000	$ -	N/A
Mutual Funds	4,691,856	4,691,856	-	-	-	N/A
FNMA	1,660,272	449,229	532,660	-	678,383	AA+
FHLB	1,935,506	396,116	1,539,390	-	-	AA+
GNMA	1,599,172	-	-	-	1,599,172	N/A
FHLMC	5,661,073	250,000	4,734,350	-	676,723	AA+
Municipal Bonds	10,868,007	3,451,383	7,109,933	206,704	99,987	A- thru AA+
Total	$ 51,250,014	$ 25,764,938	$ 21,974,107	$ 456,704	$ 3,054,265	

Investment Maturities (in Years) at April 30, 2016

	Fair Value	Less Than 1	1-5	6-10	10 or More	Rating
Certificate's of Deposit	$ 21,673,814	$ 16,878,863	$ 4,544,951	$ 250,000	$ -	N/A
Mutual Funds	4,663,119	4,663,119	-	-	-	N/A
FNMA	3,438,906	-	2,736,440	702,466	-	AA+
FHLB	550,006	-	550,006	-	-	AA+
GNMA	2,131,335	-	-	-	2,131,335	N/A
FHLMC	3,868,331	2,344,016	1,496,782	-	27,533	AA+
Municipal Bonds	13,589,579	5,884,421	7,065,299	539,675	100,184	A- thru AA+
Total	$ 49,915,090	$ 29,770,419	$ 16,393,478	$ 1,492,141	$ 2,259,052	

Assets Limited As To Use

The composition of assets limited as to use at April 30, 2017 and 2016 is set forth in the following table:

	2017	2016
Assets Limited as to Use:		
Cash Equivalent Funds	$ 70,741	$ 60,754
Mutual Funds	5,729,350	5,374,540
Total Assets Limited as to Use	$ 5,800,091	$ 5,435,294

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NOTE 2 DEPOSITS, INVESTMENTS AND ASSETS LIMITED AS TO USE (CONTINUED)

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Medical Center limits funds that are not directly matched with anticipated cash flow requirements to maturities primarily less than a five-year average weighted life.

Credit Risk

The Medical Center's investment policy is to apply the prudent person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to conform with legal requirements and state statutes, seek reasonable income, preserve capital, maintain liquidity, and in general, avoid speculative instruments.

Fair Value Measurements

The Medical Center uses fair value measurements to record fair value adjustments to certain assets to determine fair value disclosures. For additional information on how the Medical Center measures fair value refer to Note 1 – Summary of Significant Accounting Principles.

The following tables present the fair value hierarchy for the balances of the assets and liabilities of the Medical Center measured at fair value on a recurring basis as of April 30, 2017 and 2016:

	2017			
	Level 1	Level 2	Level 3	Total
Investments:				
Certificates of Deposits	$ 24,834,128	$ -	$ -	$ 24,834,128
Government Obligations	-	21,724,030	-	21,724,030
Mutual Funds	4,691,856	-	-	4,691,856
Total Investments	29,525,984	21,724,030	-	51,250,014
Assets Limited as to Use:				
Mutual Funds	5,729,350	-	-	5,729,350
Total Assets Measured at Fair Value	$ 35,255,334	$ 21,724,030	$ -	$ 56,979,364

	2016			
	Level 1	Level 2	Level 3	Total
Investments:				
Certificates of Deposits	$ 21,673,814	$ -	$ -	$ 21,673,814
Government Obligations	-	23,578,157	-	23,578,157
Mutual Funds	4,663,119	-	-	4,663,119
Total Investments	26,336,933	23,578,157	-	49,915,090
Assets Limited as to Use:				
Mutual Funds	5,374,540	-	-	5,374,540
Total Assets Measured at Fair Value	$ 31,711,473	$ 23,578,157	$ -	$ 55,289,630

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NOTE 2 DEPOSITS, INVESTMENTS AND ASSETS LIMITED AS TO USE (CONTINUED)

The estimated fair values of financial instruments have been derived, in part, by management's assumptions, the estimated amount and timing of future cash flows, and estimated discount rates, Different assumptions could significantly affect these estimated fair values. Accordingly, the net realizable value could be materially different from the estimates presented below. In addition, the estimates are only indicative of the value of individual financial instruments and should not be considered an indication of the fair value of the Medical Center.

NOTE 3 CAPITAL ASSETS

Capital asset activity for the years ended April 30, 2017 and 2016 was as follows:

	2017			
	Beginning Balance	Additions and Transfers	Disposals and Retirements	Ending Balance
Land	$ 2,649,399	$ 75,041	$ -	$ 2,724,440
Land Improvements	4,104,653	62,036	(5,850)	4,160,839
Buildings and Building Improvements	88,524,931	872,439	(137,445)	89,259,925
Rented Buildings	823,861	2,699	-	826,560
Building Service Equipment	13,733,621	-	(104,449)	13,629,172
Moveable Equipment	86,397,632	4,177,253	(8,461,664)	82,113,221
Construction in Progress	553,746	893,788	-	1,447,534
Total Cost	196,787,843	6,083,256	(8,709,408)	194,161,691
Less: Accumulated Depreciation:				
Land Improvements	2,313,610	254,621	(5,850)	2,562,381
Buildings	47,502,067	3,470,293	(137,445)	50,834,915
Rented Buildings	818,931	2,041	-	820,972
Building Service Equipment	11,807,829	245,532	(104,449)	11,948,912
Moveable Equipment	59,888,897	7,650,088	(8,329,719)	59,209,266
Total Accumulated Depreciation	122,331,334	11,622,575	(8,577,463)	125,376,446
Total Capital Assets, Net	$ 74,456,509	$ (5,539,319)	$ (131,945)	$ 68,785,245

Attachment – 33C

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NOTE 3 CAPITAL ASSETS (CONTINUED)

	2016			
	Beginning Balance	Additions and Transfers	Disposals and Retirements	Ending Balance
Land	$ 2,649,399	$ -	$ -	$ 2,649,399
Land Improvements	3,968,209	136,444	-	4,104,653
Buildings and Building Improvements	87,292,077	1,254,929	(22,075)	88,524,931
Rented Buildings	822,180	1,681	-	823,861
Building Service Equipment	13,736,150	-	(2,529)	13,733,621
Moveable Equipment	83,003,339	6,904,354	(3,510,061)	86,397,632
Construction in Progress	932,886	(379,140)	-	553,746
Total Cost	192,404,240	7,918,268	(3,534,665)	196,787,843
Less: Accumulated Depreciation:				
Land Improvements	2,065,308	248,302	-	2,313,610
Buildings	43,882,993	3,641,149	(22,075)	47,502,067
Rented Buildings	815,513	3,418	-	818,931
Building Service Equipment	11,542,041	268,317	(2,529)	11,807,829
Moveable Equipment	55,460,900	7,880,303	(3,452,306)	59,888,897
Total Accumulated Depreciation	113,766,755	12,041,489	(3,476,910)	122,331,334
Total Capital Assets, Net	$ 78,637,485	$ (4,123,221)	$ (57,755)	$ 74,456,509

NOTE 4 CONSTRUCTION IN PROGRESS

The Medical Center has active construction projects as of April 30, 2017 and 2016. The following schedules present a summary of the budget and actual expenditures at April 30, 2017 and 2016 and the anticipated construction expenditures to complete the projects, which includes commitments:

Project	Budget	Expenditures as of April 30, 2017	Estimated Expenditures to Complete
Hospital Billing System	$ 3,545,985	$ 794,805	$ 2,751,180
GE Fetal Surveillance System	172,155	145,678	26,477
Other	974,653	507,051	467,602
Total		$ 1,447,534	$ 3,245,259

Project	Budget	Expenditures as of April 30, 2016	Estimated Expenditures to Complete
Cerner App Node Migration/Upgrade	$ 703,684	$ 207,814	$ 495,870
ED/CCU Central Monitor	96,693	79,732	16,961
Oncology Remodel	385,000	41,173	343,827
Other	561,091	225,027	336,064
Total		$ 553,746	$ 1,192,722

NOTE 5 AGREEMENT WITH THE GREATER STERLING DEVELOPMENT CORPORATION

During 2002, the Medical Center entered into an agreement with the Greater Sterling Development Corporation (GSDC) to promote economic development within its market area. The Medical Center agreed to finance the construction of a building on GSDC real estate for future sale or lease to a new area business. The Medical Center financed $844,250 related to the project. Beginning on April 30, 2012, the Medical Center has agreed to forgive 10%, or $84,425, of the amount financed an annual basis over 10 years. However, the agreement is subject to a stipulation whereby GSDC would be required to repay any unforgiven balance if the real estate is sold at any time during the 10-year period ending April 30, 2022. At April 30, 2017 and 2016, the remaining balance was $337,700 and $422,125, respectively. These remaining balances are included in other assets on the combined statements of net position.

NOTE 6 PATIENT ACCOUNTS RECEIVABLE

Patient accounts receivable of the Medical Center consisted of the following amounts at April 30:

	2017	2016
Patient Accounts Receivable:		
Medicare	$ 7,198,712	$ 7,129,546
Medicaid	3,260,424	1,244,170
State of Illinois - Commercial	9,438,448	8,941,499
Other Third-Party Payers	16,374,064	15,211,008
Patients	9,486,961	9,422,929
Total	45,758,609	41,949,152
Less: Allowance for Uncollectible Accounts	12,935,104	11,704,120
Total Patient Accounts Receivable, Net	$ 32,823,505	$ 30,245,032

NOTE 7 NET PATIENT SERVICE REVENUE

The Medical Center has agreements with third-party payers that provide for payments to the Medical Center at amounts different from its established rates. Following is a summary of the payment arrangements with major third-party payers:

Medicare

Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Beginning in 2002, the Medical Center claimed Medicare payments based on an interpretation of certain "disproportionate share" rules. The Medical Center has applied for additional reimbursement under the "disproportionate share" rules for all years from 2002 forward. The Medical Center is also classified as a Medicare Dependent Hospital.

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NOTE 7 NET PATIENT SERVICE REVENUE (CONTINUED)

Medicare (Continued)

The Medical Center has included approximately $2,266,000 and $2,023,000 of reimbursement related to disproportionate share and Medicare dependent costs in net patient service revenue for the years ended April 30, 2017 and 2016, respectively. The Medical Center's classification of patients under the Medicare program and the appropriateness of their admission are subject to independent review by a peer review organization. The Medical Center's Medicare cost reports have been final settled by the Medicare fiscal intermediary through April 30, 2014.

Medicaid

Inpatient acute care services and outpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates. Both inpatient and outpatient rates are not subject to retroactive adjustment.

The Federal Centers for Medicare & Medicaid Services (CMS) approved State of Illinois (State) legislation for a Medicaid Hospital Assessment Program (Program). Under the Program, the Medical Center receives additional Medicaid reimbursement from the State. The Program has been extended through June 30, 2018. Cash payments of $4,250,278 and $4,250,278 were received and were included in net patient service revenue for the years ended April 30, 2017 and 2016, respectively.

The Department of Healthcare and Family Services is to make hospital access improvement payments for the period through June 30, 2018. Cash payments of $4,544,068 and $2,983,214 were received and were included in net patient service revenue for the years ended April 30, 2017 and 2016, respectively.

Blue Cross

For inpatient services rendered at CGH Medical Center to Blue Cross subscribers are reimbursed under a cost reimbursement methodology. The Medical Center is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by Blue Cross. The Medical Center's Blue Cross cost reports have been audited through April 30, 2016.

Other

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

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NOTE 7 NET PATIENT SERVICE REVENUE (CONTINUED)

Revenue from the Medicare and Medicaid programs accounted for approximately 32% and 8%, respectively, of the Medical Center's net patient service revenue for the year ended April 30, 2017. Revenue from the Medicare and Medicaid programs accounted for approximately 32% and 6%, respectively, of the Medical Center's net patient service revenue for the year ended April 30, 2016. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates of contractual allowances will change by a material amount in the near term.

A summary of patient service revenue and revenue adjustments for the years ended April 30, 2017 and 2016 is as follows:

	2017	2016
Total Patient Service Revenues	$ 766,844,353	$ 771,870,237
Contractual Adjustments and Provision for Bad Debt:		
Medicare	297,553,365	304,246,409
Medicaid	125,799,947	123,688,248
Other	120,983,060	115,806,196
Provision for Bad Debts	11,006,051	8,783,002
Total	555,342,423	552,523,855
Net Patient Service Revenue	$ 211,501,930	$ 219,346,382

NOTE 8 ELECTRONIC HEALTH RECORD INCENTIVE PROGRAM

The Electronic Health Record (EHR) incentive program was enacted as part of the American Recovery and Reinvestment Act of 2009 (ARRA) and the Health Information Technology for Economic and Clinical Health (HITECH) Act. These Acts provided for incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified EHR technology. The incentive payments are made based on a statutory formula and are contingent on the Medical Center continuing to meet the escalating meaningful use criteria.

For the first payment year, the Medical Center must attest, subject to an audit, that it met the meaningful use criteria for a continuous 90-day period. For the subsequent payment year, the Medical Center must demonstrate meaningful use for the entire year. The incentive payments are generally made over a four-year period.

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APRIL 30, 2017 AND 2016

NOTE 8 ELECTRONIC HEALTH RECORD INCENTIVE PROGRAM (CONTINUED)

The Medical Center demonstrated meaningful use to Stage 1 criteria for the initial 90-day reporting period during the year ending April 30, 2012. The physicians have also demonstrated meaningful use over the course of the past two fiscal years. During fiscal years 2017 and 2016, the Medical Center continued to demonstrate meaningful use and therefore was awarded $183,317 and $547,263 which is recognized as other operating revenues in the statements of Revenues, Expenses and Changes in Net Position for the year ending April 30, 2017 and 2016, respectively. The final amount of these payments will be determined based on information from the Medical Center's Medicare cost reports for the respective years of EHR incentive attestation. Events could occur that would cause the final payments to differ materially upon final settlement.

NOTE 9 NOTE PAYABLE AND BONDS PAYABLE

Note Payable

The note payable was originally entered into on December 31, 2010 in conjunction with the acquisition of the Sterling Rock Falls Clinic (now CGH Health Centers). This note refinanced existing notes of the CGH Health Centers which were assumed by the Medical Center. The note was refinanced on August 11, 2011 for $2,650,528. The note bears interest at 3.87%, was unsecured, and was paid in full August 15, 2016. The balance of the note was $-0- and $1,542,749 at April 30, 2017 and 2016, respectively.

Bonds Payable

At April 30, 2017 and 2016, bonds payable consisted of the following issues:

	2017				
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
2012 Bonds	$ 20,795,000	$ -	$ (2,695,000)	$ 18,100,000	$ 2,750,000
Unamortized Bond Premium	1,179,830	-	(179,215)	1,000,615	-
Long-Term Debt, Net	$ 21,974,830	$ -	$ (2,874,215)	$ 19,100,615	$ 2,750,000

	2016				
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
2012 Bonds	$ 23,425,000	$ -	$ (2,630,000)	$ 20,795,000	$ 2,695,000
Unamortized Bond Premium	1,359,044	-	(179,214)	1,179,830	-
Long-Term Debt, Net	$ 24,784,044	$ -	$ (2,809,214)	$ 21,974,830	$ 2,695,000

In December 2012, the City of Sterling issued $30,370,000 in General Obligation Refunding Bonds ("2012 Bonds") with an average interest rate of 3.10% to advance refund approximately $27 million of outstanding Series 2003, 2006 and 2011 Bonds with an average interest rate of 4.45% and provided $7 million of cash to the Medical Center for construction projects.

NOTE 9 NOTE PAYABLE AND BONDS PAYABLE (CONTINUED)

A portion of the net proceeds (after payment of underwriting fees, insurance, and other issuance costs) were used to purchase SLGS securities which were deposited with an escrow agent to provide for all future debt service payments on the Series 2003, 2006 and 2011 Bonds. As a result, the Series 2003, 2006 and 2011 Bonds are considered to be defeased and the liability for those bonds has been removed from the combined statements of net position.

For the 2012 Bonds, annual requirements of principal and interest payments to retire debt obligations are due on November 1 each year. Interest only payments are due on May 1 each year. Annual requirements to retire the bond obligations are as follows:

Year Ending April 30,	Principal	Interest	Total
2018	$ 2,750,000	$ 668,200	$ 3,418,200
2019	2,830,000	585,700	3,415,700
2020	2,930,000	500,800	3,430,800
2021	3,055,000	383,600	3,438,600
2022	3,205,000	261,400	3,466,400
2023	3,330,000	133,200	3,463,200
Total	$ 18,100,000	$ 2,532,900	$ 20,632,900

NOTE 10 EMPLOYEE RETIREMENT PLANS

Defined Contribution Plan

The Medical Center provides pension benefits for its employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Medical Center contributes 3% to participants regardless of their contribution level. The Medical Center matches employee contributions at 50% to a maximum employee contribution of 8%. To be eligible to participate, an employee must agree to participate in the "CGH Medical Center and its Subsidiaries Deferred Compensation Plan", be less than the age of 65 years, not be a participant in the Illinois Municipal Retirement Fund Plan, and must average at least 1,000 hours annually.

The Medical Center's contribution to this plan was $3,265,028 and $3,219,958 in 2017 and 2016, respectively.

NOTE 10 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Defined Benefit Plan

The Medical Center's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The Medical Center's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

Benefits Provided

IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

All three IMRF benefit plans have two tiers. Employees hired before January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the lesser of:

- 3% of the original pension amount, or
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

NOTE 10 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Employees Covered by Benefit Terms

As of December 31, 2016 and 2015, the following employees were covered by the benefit terms:

	IMRF	
	December 31, 2016	December 31, 2015
Retirees and Beneficiaries currently receiving benefits	222	361
Inactive Plan Members entitled to but not yet receiving benefits	74	72
Active Plan Members	384	360
Total	680	793

Contributions

As set by statute, the Medical Center's Regular Plan Members are required to contribute 4.50% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Medical Center's annual contribution rate for calendar year 2016 was 24.44%. For the fiscal years ended April 30, 2017 and 2016, the Medical Center contributed $5,229,123 and $5,049,220 to the plan, respectively. The Medical Center also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability

The Medical Center's net pension liability was measured as of December 31, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2016:

- The Actuarial Cost Method used was Entry Age Normal.
- The Asset Valuation Method used was Market Value of Assets.
- The Inflation Rate was assumed to be 2.75%.
- Salary Increases were expected to be 3.75% to 14.50%, including inflation.
- The Investment Rate of Return was assumed to be 7.50%.
- Projected Retirement Age was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.
- The IMRF-specific rates for Mortality (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
NOTES TO COMBINED FINANCIAL STATEMENTS
APRIL 30, 2017 AND 2016

NOTE 10 EMPLOYEE RETIREMENT PLANS (CONTINUED)

- For Disabled Retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For Active Members, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

- The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table as of December 31, 2016:

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic Equity	38 %	6.85 %
International Equity	17	6.75
Fixed Income	27	3.00
Real Estate	8	5.75
Alternative Investments	9	2.65-7.35
Cash Equivalents	1	2.25
Total	100 %	

Single Discount Rate

A Single Discount Rate of 7.50% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.78%, and the resulting single discount rate is 7.50%.

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CITY OF STERLING, ILLINOIS
NOTES TO COMBINED FINANCIAL STATEMENTS
APRIL 30, 2017 AND 2016

NOTE 10 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances - December 31, 2015	$ 154,153,307	$ 91,448,232	$ 62,705,075
Changes for the Year:			
Service Cost	2,377,014	-	2,377,014
Interest on the Total Pension Liability	11,151,454	-	11,151,454
Difference between Expected and Actual Experience	(145,657)	-	(145,657)
Changes of Assumption	(3,505,817)		(3,505,817)
Contributions - Employer	-	5,145,673	(5,145,673)
Contributions - Employees	-	1,022,168	(1,022,168)
Net Investment Income	-	6,296,226	(6,296,226)
Benefit Payments, including Refunds of Employee Contributions	(5,999,102)	(5,999,102)	-
Other (Net Transfer)	-	1,025,185	(1,025,185)
Net Changes	3,877,892	7,490,150	(3,612,258)
Balances - December 31, 2016	$ 158,031,199	$ 98,938,382	$ 59,092,817

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances - December 31, 2014	$ 145,735,740	$ 86,034,957	$ 59,700,783
Changes for the Year:			
Service Cost	2,401,636	-	2,401,636
Interest on the Total Pension Liability	10,583,101	-	10,583,101
Difference between Expected and Actual Experience	150,170	-	150,170
Changes of Assumption	-	-	-
Contributions - Employer	-	4,757,486	(4,757,486)
Contributions - Employees	-	963,680	(963,680)
Net Investment Income	-	432,684	(432,684)
Benefit Payments, including Refunds of Employee Contributions	(4,717,340)	(4,717,340)	-
Other (Net Transfer)	-	3,976,765	(3,976,765)
Net Changes	8,417,567	5,413,275	3,004,292
Balances - December 31, 2015	$ 154,153,307	$ 91,448,232	$ 62,705,075

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CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
NOTES TO COMBINED FINANCIAL STATEMENTS
APRIL 30, 2017 AND 2016

NOTE 10 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.50%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	1% Lower (6.50%)	Current Discount Rate (7.50%)	1% Higher (8.50%)
Net Pension Liability	$ 80,063,921	$ 59,092,817	$ 41,799,016

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

For the years ended April 30, 2017 and 2016, the Medical Center recognized pension expense of $6,415,184 and $1,241,342, respectively. At April 30, 2017 and 2016, the Medical Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2017		2016	
Deferred Amounts Related to Pensions	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred Amounts to be Recognized in Pension Expense in Future Periods:				
Differences between Expected and Actual Experience	$ 84,029	$ (560,004)	$ 117,099	$ (711,215)
Changes of Assumptions	2,383,537	(2,707,880)	3,788,180	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	4,659,466	-	5,639,931	-
Total Deferred Amounts to be Recognized in Pension Expense in Future Periods	7,127,032	(3,267,884)	9,545,210	(711,215)
Pension Contributions Made Subsequent to the Measurement Date	1,824,242	-	1,740,793	-
Total Deferred Amounts Related to Pensions	$ 8,951,274	$ (3,267,884)	$ 11,286,003	$ (711,215)

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NOTE 10 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

Year Ending December 31	Net Deferred Outflows of Resources	Net Deferred Inflows of Resources
2018	$ 3,025,342	$ (1,094,805)
2019	2,599,595	(1,014,873)
2020	1,380,663	(831,089)
2021	121,433	(327,117)
2022	-	-
Thereafter	-	-
Total	$ 7,127,033	$ (3,267,884)

NOTE 11 OTHER POST-EMPLOYMENT BENEFITS

Plan Description

In addition to providing the pension benefits described in Note 10, the Medical Center provides postemployment health care benefits (OPEB) for retired employees through a single employer defined benefit plan (Retiree Healthcare Program). The benefits, benefit levels, employee contributions and employer contributions are governed by the Medical Center and can be amended by the Medical Center through its personnel manual. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report. The Medical Center has included in other current liabilities in the combined statements of net position an accrual of $1,107,065 and $1,071,527 at April 30, 2017 and 2016, respectively.

Benefits Provided

The Medical Center provides continued health insurance coverage at the Cobra rate to all eligible retirees. To be eligible for benefits, an employee must qualify for retirement under one of the Medical Center's retirement plans. Upon a retiree reaching age 65 years of age, Medicare becomes the primary insurer and the retiree can choose not to participate in the plan or continue under the Medical Center's plan at a Medicare Supplement rate.

NOTE 11 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Benefits Provided (Continued)

Funded Status and Funding Progress

The funded status of the plan as of April 30, 2017 and 2016 was as follows:

	2017	2016
Actuarial Accrued Liability (AAL)	$ 1,949,391	$ 1,933,276
Actuarial Value of Plan Assets	-	-
Unfunded Actuarial Accrued Liability (UAAL)	1,949,391	1,933,276
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%	0%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuation, the projected unit credit method was used. The actuarial assumptions included an investment return rate of 2.50%, 20% of eligible retirees will elect coverage and 50% of eligible spouses will elect coverage. The calculations assume a level dollar amount, 30-year open amortization period for retirees.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
NOTES TO COMBINED FINANCIAL STATEMENTS
APRIL 30, 2017 AND 2016

NOTE 11 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Benefits Provided (Continued)

The following table shows the components of the Medical Center's annual OPEB cost at 2017 and 2016, the amount actually contributed to the plan, and changes in the Medical Center's net OPEB obligation:

	2017	2016
Annual Required Contribution	$ 158,634	$ 161,041
Interest on Net OPEB Obligation	26,788	25,725
Adjustment to ARC	(49,946)	(47,965)
Annual OPEB Cost	135,476	138,801
Estimated Contributions	(99,938)	(96,288)
Increase (Decrease) in Net OPEB Obligation	35,538	42,513
Net OPEB Obligation - Beginning of Year	1,071,527	1,029,014
Net OPEB Obligation - End of Year	$ 1,107,065	$ 1,071,527

NOTE 12 SELF INSURANCE PLAN

The Medical Center adopted a "self-insured" employee medical health plan effective November 1, 1984. A co-insurance policy is maintained covering plan participants for all costs in excess of $300,000 for 2017 and 2016 per person annually. The plan year runs from January 1 to December 31. The Medical Center estimates the amount of incurred but unpaid claims at April 30, 2017 and 2016 to be approximately $1,419,000 and $1,691,000, respectively, which is included in other liabilities on the combined statements of net position.

NOTE 13 CONCENTRATION OF CREDIT RISK

The Medical Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers was as follows:

	2017	2016
Medicare	28 %	29 %
Medicaid	8	6
State of Illinois - Commercial	19	16
Blue Cross	12	12
Other Third-Party Payers	21	23
Patients	12	14
Total	100%	100%

The Hospital estimates its accounts receivable from the State of Illinois insurance contracts at approximately $9,400,000 and $8,900,000 at April 30, 2017 and 2016, respectively. Due to the State of Illinois budget crisis and political disputes around establishing a budget over the past two years, the state has made very few payments on state employees insurance since July 2015.

NOTE 13 CONCENTRATION OF CREDIT RISK (CONTINUED)

The Hospital believes the net realizable value estimate is reasonable and collectible, but ultimately the amount and timing of payment from the state is subject to the funds being available to pay on accounts. It is noted that on July 18, 2017, State of Illinois lawmakers enacted a budget for fiscal year 2018.

NOTE 14 MALPRACTICE INSURANCE

During the current year, the Medical Center was insured for professional and general liability insurance coverage on a claims-made basis through the Illinois Providers' Trust (IPT). A claims-made policy covers the Medical Center for only those claims reported to IPT within reporting periods as defined in the policy. The estimated net liability accrued for unpaid losses and incurred but not reported claims for the years ended April 30, 2017 and 2016 was $1,331,597 and $1,067,353, respectively. IPT is a risk pooling arrangement among tax-exempt, not-for-profit entities designed to protect against the risk of financial loss due to the imposition of legal liability, which was established under the Illinois Religious and Charitable Risk Pooling Trust Act. Funding is based on actuarially determined funding requirements.

The provision for insurance is based on the Medical Center's experience and future premiums can be adjusted for favorable or unfavorable retrospective experience.

Prior to joining IPT, the Medical Center purchased professional and general liability insurance to cover medical malpractice claims. The policy was a claims made policy that had a retroactive date of May 1, 1979.

The Medical Center purchases separate professional liability insurance to cover medical malpractice claims for specific employed physicians. The policies are claims made policies that have retroactive dates of May 1, 1979.

There are known claims from services provided to patients. The claims appear to be covered claims, and are in various stages of the discovery process and investigation.

NOTE 15 WORKERS COMPENSATION INSURANCE

The Medical Center estimates a liability for accrued workers compensation insurance. There are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted. The Medical Center contracted an independent actuary to estimate the ultimate costs of the settlement of such claims. Accrued workers compensation losses, in management's opinion, provide an adequate reserve for loss contingencies. The estimated liability accrued for workers compensation insurance for the years ended April 30, 2017 and 2016 was $459,833 and $450,427, respectively.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST THREE CALENDAR YEARS

	Calendar Year Ended December 31, 2016	Calendar Year Ended December 31, 2015	Calendar Year Ended December 31, 2014
Total Pension Liability:			
Service Cost	$ 2,377,014	$ 2,401,636	$ 2,688,381
Interest on the Total Pension Liability	11,151,454	10,583,101	9,684,896
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	(145,657)	150,170	(1,238,647)
Changes of Assumptions	(3,505,817)	-	6,597,464
Benefit Payments, including Refunds of Employee Contributions	(5,999,102)	(4,717,340)	(3,767,623)
Net Change in Total Pension Liability	3,877,892	8,417,567	13,964,471
Total Pension Liability - Beginning	154,153,307	145,735,740	131,771,269
Total Pension Liability - Ending (A)	$ 158,031,199	$ 154,153,307	$ 145,735,740
Plan Fiduciary Net Position:			
Contributions - Employer	$ 5,145,673	$ 4,757,486	$ 4,409,208
Contributions - Employees	1,022,168	963,680	967,607
Net Investment Income	6,296,226	432,684	4,900,971
Benefit Payments, including Refunds of Employee Contributions	(5,999,102)	(4,717,340)	(3,767,623)
Other (Net Transfer)	1,025,185	3,976,765	(14,389)
Net Change in Plan Fiduciary Net Position	7,490,150	5,413,275	6,495,774
Plan Fiduciary Net Position - Beginning	91,448,232	86,034,957	79,539,183
Plan Fiduciary Net Position - Ending (B)	$ 98,938,382	$ 91,448,232	$ 86,034,957
Net Pension Liability - Ending (A) - (B)	$ 59,092,817	$ 62,705,075	$ 59,700,783
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.61%	59.32%	59.03%
Covered Valuation Payroll	$ 21,017,441	$ 21,167,464	$ 20,885,781
Net Pension Liability as a Percentage of Covered Valuation Payroll	281.16%	296.23%	285.84%

Note to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
APRIL 30, 2017

Calendar Year Ended December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a Percentage of Covered Valuation Payroll
2016	$ 5,136,663	$ 5,145,673	$ (9,010)	$ 21,017,441	24.48%
2015	4,718,228	4,757,486	(39,258)	21,167,464	22.48%
2014	4,233,548	4,409,208	(175,660)	20,885,781	21.11%

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

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CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
APRIL 30, 2017

Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2016 Contribution Rate*

Valuation Date

Note:	Actuarially determined contribution rates are calculated as of December 31 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine 2016 Contribution Rates

Actuarial Cost Method:	Aggregate entry age = normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	27-year closed period
Asset Valuation Method:	5-year smoothed market; 20% corridor
Wage Growth:	3.5%
Price Inflation:	2.75%, approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases:	3.75% to 14.50%, including inflation
Investment Rate of Return:	7.50%
Retirement Age:	Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2014 valuation pursuant to an experience study of the period 2011 to 2013.
Mortality:	For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2015 (base year 2014). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-Disabled retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other Information

Note:	There were no benefit changes during the year.

* Based on Valuation Assumptions used in the December 31, 2014, actuarial valuation; note two year lag between valuation and rate setting.

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CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
COMBINING STATEMENT OF NET POSITION
APRIL 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT)

	CGH Medical Center	Rock River Health, Inc.	CGH Health Foundation Inc.	Eliminations	Total
CURRENT ASSETS					
Cash and Cash Equivalents	$ 44,869,749	$ 12,848	$ 311,949	$ -	$ 45,194,546
Patient Accounts Receivable, Less Allowance for Uncollectible Accounts	32,823,505	-	-	-	32,823,505
Other Receivables	1,328,651	-	-	-	1,328,651
Estimated Third-Party Payor Settlements Receivable	1,546,705	-	-	-	1,546,705
Due from Beneficial Interest	266,204	-	-	-	266,204
Intercompany Receivables	169,179	-	-	(169,179)	-
Inventories	3,854,363	-	-	-	3,854,363
Accrued Interest Receivable	220,420	-	20,652	-	241,072
Prepaid Expenses	2,587,172	-	1,675	-	2,588,847
Total Current Assets	87,665,948	12,848	334,276	(169,179)	87,843,893
OTHER ASSETS					
Investments	51,250,014	-	-	-	51,250,014
Assets Limited as to Use	70,741	-	5,729,350	-	5,800,091
Capital Assets, Net	68,785,137	-	108	-	68,785,245
Other Assets	968,899	-	-	-	968,899
Investment in CGH Health Centers	-	-	-	-	-
Beneficial Interest in Affiliates	4,811,140	-	-	-	4,811,140
Net Equity in Component Units	5,907,403	-	-	(5,907,403)	-
Total Other Assets	131,793,334	-	5,729,458	(5,907,403)	131,615,389
Total Assets	219,459,282	12,848	6,063,734	(6,076,582)	219,459,282
DEFERRED OUTFLOWS OF RESOURCES					
Pension Related Deferred Outflows	8,951,274	-	-	-	8,951,274
Total Assets and Deferred Outflows of Resources	$ 228,410,556	$ 12,848	$ 6,063,734	$ (6,076,582)	$ 228,410,556
CURRENT LIABILITIES					
Accounts Payable	$ 4,082,119	$ -	$ -	$ -	$ 4,082,119
Accrued Salaries, Wages, and Benefits	11,093,679	-	-	-	11,093,679
Accrued Malpractice	1,331,597	-	-	-	1,331,597
Current Maturities of Note Payable	-	-	-	-	-
Current Maturities of Bonds Payable	2,750,000	-	-	-	2,750,000
Estimated Third-Party Payor Settlements Payable	9,711,257	-	-	-	9,711,257
Other Current Liabilities	3,838,830	-	-	-	3,838,830
Intercompany Payables	-	-	169,179	(169,179)	-
Total Current Liabilities	32,807,482	-	169,179	(169,179)	32,807,482
LONG-TERM LIABILITIES					
Bonds Payable, Less Current Maturities and Net of Unamortized Premium of $1,000,615	16,350,615	-	-	-	16,350,615
Net Pension Liability	59,092,817	-	-	-	59,092,817
Total Long-Term Liabilities	75,443,432	-	-	-	75,443,432
DEFERRED INFLOWS OF RESOURCES					
Pension Related Deferred Inflows	3,267,884	-	-	-	3,267,884
NET POSITION					
Net Investment in Capital Assets	49,684,522	-	108	-	49,684,630
Restricted for:					
Health Development	70,741	-	5,729,350	-	5,800,091
Unrestricted	67,136,495	12,848	165,097	(5,907,403)	61,407,037
Total Net Position	116,891,758	12,848	5,894,555	(5,907,403)	116,891,758
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 228,410,556	$ 12,848	$ 6,063,734	$ (6,076,582)	$ 228,410,556

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED APRIL 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT)

	CGH Medical Center	Rock River Health, Inc.	CGH Health Foundation Inc.	CGH Health Centers	Eliminations	Total
OPERATING REVENUES						
Net Patient Service Revenues, Net of Provision for Bad Debts	$ 211,493,231	$ 8,699	$ -	$ -	$ -	$ 211,501,930
Other Operating Revenues	3,845,262	-	-	-	(961,719)	2,883,543
Total Operating Revenues	215,338,493	8,699	-	-	(961,719)	214,385,473
OPERATING EXPENSES						
Salaries and Wages	91,929,637	-	96,149	-	-	92,025,786
Employee Benefits	22,474,339	-	56,560	-	-	22,530,899
Pension Expense	9,662,119	-	18,088	-	-	9,680,207
Medical Fees	9,966,191	-	-	-	-	9,966,191
Patient Service Supplies	34,808,041	-	2,911	-	-	34,810,952
Utilities	2,068,451	-	-	-	-	2,068,451
Purchased Services	5,536,360	-	1,579	13,884	-	5,551,823
Repairs and Maintenance	7,489,957	-	2,656	-	-	7,492,613
Depreciation and Amortization	11,874,496	-	648	(126,240)	-	11,748,904
Insurance	2,038,806	-	-	-	-	2,038,806
Rental Expense	902,396	-	-	961,719	(961,719)	902,396
Other	13,355,206	7,389	44,318	(6,530,138)	-	6,876,775
Total Operating Expenses	212,105,999	7,389	222,909	(5,680,775)	(961,719)	205,693,803
OPERATING INCOME (LOSS)	3,232,494	1,310	(222,909)	5,680,775	-	8,691,670
NONOPERATING REVENUES (EXPENSES)						
Contributions Received (Paid), Net	(85,283)	-	(250,109)	-	-	(335,392)
Investment Income (Loss)	1,063,934	34	678,565	-	-	1,742,533
Interest Expense	(605,756)	-	-	65,412	-	(540,344)
Loss on Disposal of Capital Assets	(120,224)	-	-	-	-	(120,224)
Change in Beneficial Interest in Affiliates	5,583,689	-	-	-	(5,953,078)	(369,389)
Total Nonoperating Revenues (Expenses)	5,836,360	34	428,456	65,412	(5,953,078)	377,184
CHANGE IN NET POSITION, BEFORE INCOME TAXES	9,068,854	1,344	205,547	5,746,187	(5,953,078)	9,068,854
PROVISION FOR INCOME TAXES	157,038	-	-	-	-	157,038
CHANGE IN NET POSITION	8,911,816	1,344	205,547	5,746,187	(5,953,078)	8,911,816
Net Position - Beginning of Year	107,979,942	11,504	5,689,008	(5,746,187)	45,675	107,979,942
NET POSITION - END OF YEAR	$ 116,891,758	$ 12,848	$ 5,894,555	$ -	$ (5,907,403)	$ 116,891,758

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
COMBINING STATEMENT OF NET POSITION
APRIL 30, 2016
(SEE INDEPENDENT AUDITORS' REPORT)

	CGH Medical Center	Rock River Health, Inc.	CGH Health Foundation Inc.	CGH Health Centers	Eliminations	Total
CURRENT ASSETS						
Cash and Cash Equivalents	$ 37,082,493	$ 11,504	$ 359,962	$ -	$ -	$ 37,453,979
Patient Accounts Receivable, Less Allowance for Uncollectible Accounts	30,245,032	-	-	-	-	30,245,032
Other Receivables	1,358,899	-	-	-	-	1,358,899
Estimated Third-Party Payor Settlements Receivable	1,185,949	-	-	-	-	1,185,949
Due from Beneficial Interest	206,466	-	-	-	-	206,466
Intercompany Receivables	5,822,379	-	-	-	(5,822,379)	-
Inventories	3,579,134	-	-	-	-	3,579,134
Accrued Interest Receivable	161,430	-	28,638	-	-	190,068
Prepaid Expenses	3,119,864	-	1,263	-	-	3,121,247
Total Current Assets	82,761,746	11,504	389,903	-	(5,822,379)	77,340,774
OTHER ASSETS						
Investments	49,915,090	-	-	-	-	49,915,090
Assets Limited as to Use	60,754	-	5,374,540	-	-	5,435,294
Capital Assets, Net	74,455,752	-	757	-	-	74,456,509
Other Assets	1,179,564	-	-	-	-	1,179,564
Investment in CGH Health Centers	(5,746,187)	-	-	-	5,746,187	-
Beneficial Interest in Affiliates	5,330,530	-	-	-	-	5,330,530
Net Equity in Component Units	5,700,512	-	-	-	(5,700,512)	-
Total Other Assets	130,896,015	-	5,375,297	-	45,675	136,316,987
Total Assets	213,657,761	11,504	5,765,200	-	(5,776,704)	213,657,761
DEFERRED OUTFLOWS OF RESOURCES						
Pension Related Deferred Outflows	11,286,003	-	-	-	-	11,286,003
Total Assets and Deferred Outflows of Resources	$ 224,943,764	$ 11,504	$ 5,765,200	$ -	$ (5,776,704)	$ 224,943,764
CURRENT LIABILITIES						
Accounts Payable	$ 3,674,518	$ -	$ -	$ -	$ -	$ 3,674,518
Accrued Salaries, Wages, and Benefits	11,325,831	-	-	-	-	11,325,831
Accrued Malpractice	1,067,353	-	-	-	-	1,067,353
Current Maturities of Note Payable	1,542,749	-	-	-	-	1,542,749
Current Maturities of Bonds Payable	2,695,000	-	-	-	-	2,695,000
Estimated Third-Party Payor Settlements Payable	9,322,758	-	-	-	-	9,322,758
Other Current Liabilities	4,639,493	-	-	-	-	4,639,493
Intercompany Payables	-	-	76,192	5,746,187	(5,822,379)	-
Total Current Liabilities	34,267,702	-	76,192	5,746,187	(5,822,379)	34,267,702
LONG-TERM LIABILITIES						
Bonds Payable, Less Current Maturities and Net of Unamortized Premium of $1,538,259	19,279,830	-	-	-	-	19,279,830
Net Pension Liability	62,705,075	-	-	-	-	62,705,075
Total Long-Term Liabilities	81,984,905	-	-	-	-	81,984,905
DEFERRED INFLOWS OF RESOURCES						
Pension Related Deferred Inflows	711,215	-	-	-	-	711,215
NET POSITION						
Net Investment in Capital Assets	50,938,173	-	757	-	-	50,938,930
Restricted for:						
Health Development	60,754	-	5,374,540	-	-	5,435,294
Unrestricted	56,981,015	11,504	313,711	(5,746,187)	45,675	51,605,718
Total Net Position	107,979,942	11,504	5,689,008	(5,746,187)	45,675	107,979,942
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 224,943,764	$ 11,504	$ 5,765,200	$ -	$ (5,776,704)	$ 224,943,764

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED APRIL 30, 2016
(SEE INDEPENDENT AUDITORS' REPORT)

	CGH Medical Center	Rock River Health, Inc.	CGH Health Foundation Inc.	CGH Health Centers	Eliminations	Total
OPERATING REVENUES						
Net Patient Service Revenues, Net of Provision for Bad Debts	$ 219,326,352	$ 20,030	$ -	$ -	$ -	$ 219,346,382
Other Operating Revenues	4,334,367	-	-	961,719	(961,719)	4,334,367
Total Operating Revenues	223,660,719	20,030	-	961,719	(961,719)	223,680,749
OPERATING EXPENSES						
Salaries and Wages	89,903,734	-	89,476	-	-	89,993,210
Employee Benefits	24,824,358	-	60,384	-	-	24,884,742
Pension Expense	7,149,551	-	16,684	-	-	7,166,235
Medical Fees	10,173,570	-	-	-	-	10,173,570
Patient Service Supplies	32,736,622	-	2,510	-	-	32,739,132
Utilities	2,080,568	-	-	-	-	2,080,568
Purchased Services	5,553,370	-	4,184	-	-	5,557,554
Repairs and Maintenance	7,201,814	-	2,493	-	-	7,204,307
Depreciation and Amortization	12,040,841	-	648	126,240	-	12,167,729
Insurance	2,081,752	-	-	-	-	2,081,752
Rental Expense	1,937,997	-	-	-	(961,719)	976,278
Other	6,773,579	48,191	46,124	-	-	6,867,894
Total Operating Expenses	202,457,756	48,191	222,503	126,240	(961,719)	201,892,971
OPERATING INCOME (LOSS)	21,202,963	(28,161)	(222,503)	835,479	-	21,787,778
NONOPERATING REVENUES (EXPENSES)						
Contributions Received (Paid), Net	(272,743)	-	639,330	-	-	366,587
Investment Income	847,757	19	(166,328)	-	-	681,448
Interest Expense	(603,995)	-	-	(65,412)	-	(669,407)
Loss on Disposal of Capital Assets	(55,505)	-	-	-	-	(55,505)
Change in Benefical Interest in Affiliates	1,058,925	-	-	-	(992,424)	66,501
Total Nonoperating Revenues (Expenses)	974,439	19	473,002	(65,412)	(992,424)	389,624
CHANGE IN NET POSITION	22,177,402	(28,142)	250,499	770,067	(992,424)	22,177,402
Net Position - Beginning of Year	85,802,540	39,646	5,438,509	(6,516,254)	1,038,099	85,802,540
NET POSITION - END OF YEAR	$ 107,979,942	$ 11,504	$ 5,689,008	$ (5,746,187)	$ 45,675	$ 107,979,942

CGH MEDICAL CENTER
CITY OF STERLING, ILLINOIS
SCHEDULE OF COMMUNITY BENEFITS (UNAUDITED)
YEAR ENDED APRIL 30, 2017

COMMUNITY BENEFITS FISCAL YEAR 2017 - UNAUDITED

In line with its mission and commitment to the community, the Medical Center provides services to patients without regard to their ability to pay for those services. The Medical Center has a Charity Services Policy (the Policy) for both the uninsured and the underinsured. Under the Policy, patients are offered discounts of up to 100% of charges on a sliding scale, which is based both on the patient's income as a percentage of the Federal Poverty Level guidelines and the charges for services rendered. The Medical Center receives no payment or a payment that is less than the full cost of providing the services for the patients under the Policy. The amount of charges determined to be charity are not recorded as net patient service revenues.

In some instances, the Medical Center will not receive payment for the services provided and has not received the necessary information from the patient in order to determine the patient's charitable assistance status. These charges are the basis for estimating the amount of patient revenue the Medical Center will not collect and therefore report as bad debt expense.

The Medical Center maintains records to identify and monitor the level of charity care it provides.

The Medical Center's estimated total cost of uncompensated care relating to these services and other services are as follows for the years ended April 30:

	2017	2016
Medicare and Medicaid Shortfalls at Cost	$ 31,400,000	$ 28,800,000
Charity Care at Cost	2,500,000	2,600,000
Uncollectible Amounts at Cost	2,600,000	2,000,000
Total Cost of Uncompensated Care	$ 36,500,000	$ 33,400,000

The cost of uncompensated care is estimated using the Medical Center's overall cost to charge ratios. The uncompensated care cost of state Medicaid and other public aid programs is determined by computing the cost of providing that care less amounts paid by the programs.

Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, they are not reported in net patient service revenue. Charges excluded from revenue under the Medical Center's charity care policy were approximately $2,698,000 and $3,805,000 at April 30, 2017 and 2016, respectively.

Attachment – 33C

Section IX, Financial Feasibility
Criterion 1120.130 – Financial Viability Waiver

The project will be funded entirely with cash. Copies of City of Sterling's audited financial statements for the most recent three years evidencing sufficient internal resources to fund the project are attached at Attachments – 33A – 33C.

Section X, Economic Feasibility Review Criteria
Criterion 1120.140(a), Reasonableness of Financing Arrangements

Attached at Attachment – 36A is a letter from Paul G. Steinke, D.O., Chief Executive Officer of CGHMC attesting that the total estimated project costs will be funded entirely with cash.

Richard Sewell
Vice Chair
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: Reasonableness of Financing Arrangements

Dear Vice Chair Sewell:

I hereby certify under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109 and pursuant to 77 Ill. Admin. Code § 1120.140(a) that the total estimated project costs and related costs will be funded in total with cash and cash equivalents.

Sincerely,

Paul H. Stoneke Dr
CEO
City of Sterling

Subscribed and sworn to me
This 5 day of September, 2019

OFFICIAL SEAL
ANDREA VICKERS
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:04/28/22

Andrea Vickers
Notary Public

Section X, Economic Feasibility Review Criteria
Criterion 1120.140(b), Conditions of Debt Financing

This project will be funded in total with cash and cash equivalents. Accordingly, this criterion is not applicable.

Section X, Economic Feasibility Review Criteria
Criterion 1120.140(c), Reasonableness of Project and Related Costs

1. The Cost and Gross Square Feet by Department is provided in the table below.

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE									
Department (list below) CLINICAL	A	B	C	D	E	F	G	H	Total Cost (G + H)
	Cost/Square Foot New	Mod.	Gross Sq. Ft. New Circ.*		Gross Sq. Ft. Mod. Circ.*		Const. $ (A x C)	Mod. $ (B x E)	
CLINICAL									
AMI Unit		$357.46			5,595			$2,000,000	$2,000,000
Contingency		$53.62			5,595			$300,000	$300,000
TOTAL CLINICAL		**$411.08**			**5,595**			**$2,300,000**	**$2,300,000**
NON-CLINICAL									
Staff Support		$355.24			1,126			$400,000	$400,000
Contingency		$53.29			1,126			$60,000	$60,000
TOTAL NON-CLINICAL		**$408.53**			**1,126**			**$460,000**	**$460,000**
TOTAL		**$410.65**			**6,721**			**$2,760,000**	**$2,760,000**
* Include the percentage (%) of space for circulation									

2. As shown in Table 1120.310(c) below, the project costs are below the State Standard.

Table 1120.310(c)			
	Proposed Project	**State Standard**	**Above/Below State Standard**
Preplanning Costs	$28,512	1.8% x (Modernization Contracts + Contingencies + Equipment) = 1.8% x ($2,000,000 + $300,000 + $54,035) = 1.8% x $2,354,035 = $42,373	Below State Standard
Modernization Contracts	$2,000,000	$396.36 x 5,595 GSF = $2,217,634	Below State Standard

Table 1120.310(c)			
	Proposed Project	**State Standard**	**Above/Below State Standard**
Contingencies	$300,000	15% x (Modernization Contracts + Contingencies) = 15% x $2,000,000 = $300,000	Meets State Standard
Architectural/Engineering Fees	$241,432	7.19% – 10.79% x (Modernization Contracts + Contingencies) = 7.19% – 10.79% x ($2,000,000 +$300,000) = 7.19% – 10.79% x $2,300,000 = $165,370 - $248,170	Meets State Standard
Consulting and Other Fees	$98,183		No State Standard
Moveable Equipment	$137,356		No State Standard

Section X, Economic Feasibility Review Criteria
Criterion 1120.310(d), Projected Operating Costs

Operating Expenses	
Salaries	$1,129,877
Benefits	$257,560
Supplies	$45,301
Total Operating Expenses	$1,432,738
Patient Days	2,346
Capital Costs per Patient Day	$610.72

Section X, Economic Feasibility Review Criteria
Criterion 1120.310(e), Total Effect of Project on Capital Costs

Capital Costs	
Depreciation	$195,253
Patient Days	2,346
Capital Costs per Patient Day	$83.23

Section XI, Safety Net Impact Statement

1. While only required for substantive projects and projects involving the discontinuation of a health care facility, CGHMC submits the following information demonstrate the establishment of the proposed inpatient AMI unit will have a positive and material impact of bolstering essential safety net services in the community. Behavioral health services are essential to community wellness and many programs throughout the state have been curtailed over the years based on financial constraints of other providers. Despite the fact that these services are considered part of the basic primary care offering, residents of the CGHMC catchment area have are now required to receive inpatient behavioral health services outside of their community. As the mental health crisis expands, it has become obvious that this service needs to be provided at CGHMC. CGHMC accepts all community residents regardless of ability to pay. Patients with limited means may qualify for charity care. A patient's eligibility will be based upon the size of the applicant's family and is limited to those families whose income is less than or equal to 300 percent of the current poverty level income guidelines as determined by the Community Services Administration. Patients who do not qualify for charity may receive a self-pay discount of up to 25 percent of their account balances. Finally, special consideration may be given to patients whose hospital bill is 30 percent or more if their annual income.

2. The proposed project is for the establishment of an inpatient AMI service at CGHMC. As such, this criterion is not applicable.

3. A table showing the charity care and Medicaid care provided by the Applicant for the most recent three calendar years is provided below.

Safety Net Information per PA 96-0031			
CHARITY CARE			
	2016	**2017**	**2018**
Charity (# of patients)			
Inpatient	274	305	351
Outpatient	2,000	2,708	2607
Total	**2,274**	**3,013**	**2,958**
Charity (cost in dollars)			
Inpatient	577,191	445,073	$740,343
Outpatient	1,675,034	1,996,401	$2,238,884
Total	**2,252,225**	**2,441,474**	**2,979,227**
MEDICAID			
	2016	**2017**	**2018**
Medicaid (# of patients)			
Inpatient	669	616	617
Outpatient	16,598	75,780	68,689
Total	**17,267**	**76,396**	**69,306**
Medicaid (revenue)			
Inpatient	2,298,419	2,794,725	2,267,147
Outpatient	8,964,590	9,188,275	9,491,022
Total	**11,263,009**	**11,983,000**	**11,758,169**

Section XII, Charity Care Information

The table below provides charity care information provided by the Applicant for the most recent three calendar years.

CHARITY CARE			
	2016	2017	2018
Net Patient Revenue	$219,346,349	$211,501,930	$223,550,158
Amount of Charity Care (charges)			
Cost of Charity Care	$2,252,225	$2,441,474	$2,979,227

Appendix I – Physician Referral Letter

Attached as Appendix 1 is the letter from CGHMC projecting 559 annual referrals for inpatient AMI services within 12 to 24 months of project completion.

Richard H. Sewell
Interim Chair
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Dear Mr. Sewell:

I am writing on behalf of CGH Medical Center ("CGH") in support of establishing acute mental illness services at CGH to meet the ongoing needs of the community.

Last year, CGH had over 900 patients present to its emergency department who required crisis interventions for a mental illness diagnosis. Relatedly, according to COMPdata, there were 689 patients requiring admission for a mental illness diagnosis transferred out of the CGH service area to extremely distant facilities (90 miles to 126 miles away). It is self-evident that this distant travel is suboptimal on many fronts. It increases the cost of care due to, among other things, patient transport expenses and the physician and staff time required for CGH to transfer patients to over 30 different behavioral health facilities in any given year. Placing patients in distant facilities also dislocates them from their community-based mental health provider and from their families and other support systems. Due to lack of bed availability within and outside of our planning area, it has also been impossible to develop a meaningful clinical affiliation with any particular program to which we send our patients requiring this service. Unfortunately, other than maternity admissions for births, mental illness is the top admitting diagnosis for patients residing in the communities we serve. Based on that, we have determined it is essential for our community hospital which is operated by the municipality to offer inpatient admission for behavioral health services.

With regard to the status quo, unfortunately, these distant transfers usually involve holding the patient requiring admission for between 24 and 72 hours in a safe room in the CGH emergency department or in a specially equipped area of our medical-surgical unit. In extreme cases, over 100 patients have remained in the safe room arrangement up to 20 days before a placement, reevaluation or other disposition was made. For many, this safe room treatment substitutes for the specialized unit that they require. While patients receive a telepsychiatry consultation in order to initiate medication management to treat the acute behavioral health concern, we cannot provide the benefit of the services offered by a comprehensive inpatient program. These services are essential to patient well-being. Mental illness is a chronic illness and the coping mechanisms taught and reinforced in the inpatient setting is critical to the long-term well-being of these patients and to their ability to be productive members of society. Instead of receiving these services within hours of presenting in our emergency department, these patients instead remain in our emergency department not only getting the benefit of a comprehensive program but also diverting an excessive amount of emergency department staffing resources. Despite the high

staffing burden, the reimbursement for the care most of these patients receive in our department is non-existent.

If CGH had a behavioral health unit, the full continuum of behavioral health services offered by a comprehensive program would be immediately available to these patients. This is compared to the triage level immediate treatment that patients receive in the emergency department, which is focused solely on patient safety (and the safety of others for whom the patient might be a threat) and to initiate a medication regiment. Transfers to distant hospitals delay more comprehensive treatment and disrupt the continuity of care that we can offer patients when we collaborate with the local community-based behavioral health care center, Sinnissippi Centers. This problem is exacerbated by the fact that mental illness is treatable but rarely curable, so this group of patients cycles in and out of inpatient care based on difficultly with long-term mediation management and related social supports.

In addition to the 900 patients we see in the emergency department and often transfer out of the community, the table below identifies the admitting hospital for the patients residing in Whiteside, Carroll, Bureau, Jo Daviess, and Lee Counties during 2018. We estimate that if a CGH inpatient behavioral health unit was available, at least 50% of the patients admitted at distant facilities as noted below would present in the emergency department of CGH and be admitted to the behavioral health unit of CGH. Specifically, with the addition of inpatient behavioral health services, we expect the following cases to be treated at CGH.

Hospital	2018	Projected Referrals to CGH after Project Completion	Travel Distance (Miles)
Adventist Bolingbrook Hospital	3	3	84
Adventist GlenOaks	27	27	85
Adventist Hinsdale Hospital	2	2	92
Advocate Bromenn Medical Center	3	3	97
Advocate Christ Medical Center	1	1	102
Advocate Good Samaritan Hospital	5	5	87
Alexian Brothers Behavioral Health Hospital	32	32	82
Alexian Brothers Medical Center	1	1	88
Aurora Chicago Lakeshore Hospital	14	14	106
Blessing Hospital	1	1	201
Central DuPage Hospital	4	4	80
CGH Medical Center	6	6	0
Chicago Behavioral Hospital	51	51	95
Delnor Community Hospital	1	1	70
FHN Memorial Hospital	4	4	34
Galesburg Cottage Hospital	1	1	68
Gateway Regional Medical Center	1	1	249
HSHS St. John's Hospital	2	2	159

Hospital	2018	Projected Referrals to CGH after Project Completion	Travel Distance (Miles)
Illinois Valley Community Hospital	1	1	44
Ingalls Memorial Hospital	1	1	106
Katherine Shaw Bethea Hospital	429	41	12
Kindred Chicago North	20	20	102
Lincoln Prairie Behavioral Health Center	8	8	165
Linden Oaks Hospital	10	10	99
Loretto Hospital	12	12	100
MacNeal Hospital	22	22	98
Marionjoy Rehabilitation Hospital	1	1	82
McDonough District Hospital	3	3	106
Memorial Medical Center Springfield	1	1	158
MercyHealth Hospital	16	16	47
Mercy Hospital & Medical Center	2	2	107
Methodist Hospital of Chicago	1	1	105
MetroSouth Medical Center	3	3	105
Midwest Medical Center	4	4	59
Mount Sinai Medical Center	1	1	103
NorthShore University Health System Evanston	1	1	105
Northwest Community Hospital	3	3	90
Northwestern Memorial Hospital	3	3	107
Norwegian American Hospital	8	8	103
OSF Saint Anthony Medical Center	7	7	48
OSF Saint Elizabeth Medical Center	71	71	55
OSF Saint Francis Medical Center	5	5	76
Palos Community Hospital	1	1	98
Perry Memorial Hospital	2	2	32
Presence Mercy Medical Center	4	4	71
Presence Saint Elizabeth Hospital	5	5	104
Presence Saint Joseph Hospital - Chicago	1	1	107
Presence Saint Joseph Hospital - Elgin	3	3	72
Presence Saint Joseph Medical Center – Joliet	2	2	83
Riveredge Hospital	32	32	97
Riverside Medical Center	10	10	105
Rush University Medical Center	5	5	105
Sarah Bush Lincoln Health Center	1	1	225
Silver Cross Hospital	2	2	90

Hospital	2018	Projected Referrals to CGH after Project Completion	Travel Distance (Miles)
St. Margaret's Health	2	2	42
Streamwood Behavioral Healthcare System	107	2	81
Swedish American Hospital	12	12	45
The Methodist Medical Center of Illinois	67	21	76
The Pavilion Foundation	8	8	178
Thorek Memorial Hospital	1	1	106
UHS Hartgrove Hospital	28	8	100
Unity Point – Proctor	9	9	72
Unity Point – Trinity – Moline	1	1	49
Unity Point – Trinity – Rock Island	15	15	50
University of Illinois Chicago	1	1	105
Weiss Memorial Hospital	1	1	106
Westlake Hospital	5	5	96
Woodstock Hospital	1	1	81
Total	**1,118**	**559**	

Given the significant need for this service in our community, we view inpatient behavioral health services care as primary care. It is not the sort of care that should be out-migrating to distant facilities, as there is little specialty equipment involved in providing the care, and nursing and therapy services, can be readily developed.

These patient referrals have not been used to support another pending or approved certificate of need application. The information in this letter is true and correct to the best of my knowledge.

I support the proposed establishment of inpatient acute mental illness services at CGH.

Sincerely,

Dr. David Kavanaugh D.O.
Medical Director
Department of Emergency Medicine
CGH Medical Center
100 East LeFevre Road
Sterling, Illinois 61081

Subscribed and sworn to me
This 30 day of September, 2019

Beth Lancaster
Notary Public

OFFICIAL SEAL
BETH LANCASTER
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:04/28/22

70264273.4

After paginating the entire completed application indicate, in the chart below, the page numbers for the included attachments:

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