

Logan County Hospital
d/b/a Logan County Health Services
A Component Unit of Logan County, Kansas
Independent Auditor's Report and Financial Statements
December 31, 2018 and 2017

**Logan County Hospital
d/b/a Logan County Health Services
A Component Unit of Logan County, Kansas
December 31, 2018 and 2017**

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Independent Auditor's Report

Board of Trustees
Logan County Hospital
d/b/a Logan County Health Services
Oakley, Kansas

We have audited the accompanying financial statements of Logan County Hospital d/b/a Logan County Health Services (the Hospital), a component unit of Logan County, Kansas, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the provisions of the Kansas Municipal Audit and Accounting Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Logan County Hospital d/b/a Logan County Health Services as of December 31, 2018 and 2017, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, in 2018, the Hospital adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the pension and other postemployment benefits information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

BKD, LLP

Logan County Hospital
d/b/a Logan County Health Services
A Component Unit of Logan County, Kansas
Balance Sheets
December 31, 2018 and 2017

Assets and Deferred Outflows of Resources

	<u>2018</u>	<u>2017</u>
Current Assets		<i>(As Adjusted)</i>
Cash	\$ 58,184	\$ 103,970
Patient accounts receivable, net of allowance; 2018 - \$1,228,855; 2017 - \$876,293	1,699,893	1,901,864
Estimated amounts due from third-party payers	337,000	291,992
Supplies	217,086	258,531
Taxes receivable	50,854	50,854
Prepaid expenses and other	99,409	101,981
	<u>2,462,426</u>	<u>2,709,192</u>
Noncurrent Cash	<u>692,658</u>	<u>831,721</u>
Capital Assets, Net	<u>4,035,210</u>	<u>4,207,686</u>
Total assets	<u>7,190,294</u>	<u>7,748,599</u>
Deferred Outflows of Resources		
Pension	1,289,699	908,268
Other postemployment benefits	143,571	-
	<u>1,433,270</u>	<u>908,268</u>
Total assets and deferred outflows of resources	<u>\$ 8,623,564</u>	<u>\$ 8,656,867</u>

Liabilities, Deferred Inflows of Resources and Net Position

	2018	2017
Current Liabilities		<i>(As Adjusted)</i>
Current maturities of long-term debt	\$ 208,858	\$ 216,169
Accounts payable	387,811	335,225
Accrued salaries and benefits	504,757	517,067
Accrued compensated absences	392,082	371,672
Other accrued liabilities	11,294	-
Unearned revenue	11,279	-
	<hr/>	<hr/>
Total current liabilities	1,516,081	1,440,133
	<hr/>	<hr/>
Long-term Debt	327,886	329,090
	<hr/>	<hr/>
Net Pension Liability	5,360,823	4,895,751
	<hr/>	<hr/>
Total Other Postemployment Benefits Liability	429,148	322,125
	<hr/>	<hr/>
Total liabilities	7,633,938	6,987,099
	<hr/>	<hr/>
Deferred Inflows of Resources		
Pension	618,902	819,284
Other postemployment benefits	10,613	7,711
	<hr/>	<hr/>
Total deferred inflows of resources	629,515	826,995
	<hr/>	<hr/>
Net Position (Deficit)		
Net investment in capital assets	3,498,466	3,662,427
Unrestricted deficit	(3,138,355)	(2,819,654)
	<hr/>	<hr/>
Total net position	360,111	842,773
	<hr/>	<hr/>
Total liabilities, deferred inflows of resources and net position	<u>\$ 8,623,564</u>	<u>\$ 8,656,867</u>

Logan County Hospital
d/b/a Logan County Health Services
A Component Unit of Logan County, Kansas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2018 and 2017

	2018	2017
Operating Revenues		<i>(As Adjusted)</i>
Net patient service revenue, net of provision for uncollectible accounts; 2018 - \$440,559; 2017 - \$469,307	\$ 12,565,720	\$ 10,493,402
Other	1,323,563	1,427,215
Total operating revenues	13,889,283	11,920,617
Operating Expenses		
Salaries and wages	7,750,096	6,746,466
Employee benefits	1,880,398	1,832,003
Supplies and other	4,907,276	3,973,705
Depreciation	575,689	710,853
Total operating expenses	15,113,459	13,263,027
Operating Loss	(1,224,176)	(1,342,410)
Nonoperating Revenues (Expenses)		
Noncapital appropriations - Logan County	558,825	561,499
Interest income	24,713	22,021
Interest expense	(18,518)	(15,930)
Gain on disposal of capital assets	-	69,936
Noncapital grants and gifts	104,362	143,421
Total nonoperating revenues	669,382	780,947
Deficiency of Revenues Over Expenses Before Capital Grants and Gifts	(554,794)	(561,463)
Capital Grants and Gifts	72,132	-
Decrease in Net Position	(482,662)	(561,463)
Net Position, Beginning of Year, as Previously Reported	842,773	1,737,027
Change in Accounting Principle - GASB No. 75	-	(332,791)
Net Position, Beginning of Year, as Restated	842,773	1,404,236
Net Position, End of Year	\$ 360,111	\$ 842,773

Logan County Hospital
d/b/a Logan County Health Services
A Component Unit of Logan County, Kansas
Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows From Operating Activities		<i>(As Adjusted)</i>
Receipts from and on behalf of patients	\$ 12,733,962	\$ 10,987,203
Payments to suppliers and contractors	(4,810,673)	(3,912,380)
Payments to employees	(9,761,487)	(8,672,005)
Other receipts, net	1,323,563	1,427,215
Net cash used in operating activities	(514,635)	(169,967)
Cash Flows From Noncapital Financing Activities		
Decrease in outstanding checks in excess of bank balance	-	(97,324)
Noncapital appropriations - Logan County	558,825	561,499
Noncapital grants and gifts	104,362	143,421
Net cash provided by noncapital financing activities	663,187	607,596
Cash Flows From Capital and Related Financing Activities		
Capital grants and gifts	72,132	-
Principal paid on long-term debt	(225,028)	(496,813)
Interest paid on long-term debt	(18,518)	(15,930)
Purchases of capital assets	(186,700)	(151,471)
Net cash used in capital and related financing activities	(358,114)	(664,214)
Cash Flows From Investing Activities		
Interest income received	24,713	22,021
Net cash provided by investing activities	24,713	22,021
Decrease in Cash	(184,849)	(204,564)
Cash, Beginning of Year	935,691	1,140,255
Cash, End of Year	\$ 750,842	\$ 935,691

Logan County Hospital
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A Component Unit of Logan County, Kansas
Statements of Cash Flows (Continued)
Years Ended December 31, 2018 and 2017

	2018	2017
		<i>(As Adjusted)</i>
Reconciliation of Cash to the Balance Sheets		
Cash	\$ 58,184	\$ 103,970
Noncurrent cash	692,658	831,721
	\$ 750,842	\$ 935,691
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (1,224,176)	\$ (1,342,410)
Depreciation	575,689	710,853
Provision for uncollectible accounts	440,559	469,307
Changes in operating assets and liabilities		
Patient accounts receivable	(227,309)	89,221
Estimated amounts due from and to third-party payers	(45,008)	(64,727)
Supplies	41,445	(2,333)
Taxes receivable	-	115,889
Prepaid expenses and other	2,572	(81,769)
Accounts payable and accrued expenses	71,980	101,339
Net pension liability	465,072	(284,988)
Total other postemployment benefits liability	107,023	(10,666)
Deferred outflows of resources - pension and OPEB	(525,002)	232,504
Deferred inflows of resources - pension and OPEB	(197,480)	(102,187)
Net cash used in operating activities	\$ (514,635)	\$ (169,967)
Noncash Investing, Capital and Financing Activities		
Capital lease obligations incurred for capital assets	\$ 216,513	\$ 167,215
During 2017, the Hospital cancelled a capital lease for equipment and converted the lease to an operating lease. The following assets and liabilities were written off resulting in a net gain on disposal:		
Capital assets, net		\$ 428,606
Capital lease obligations		498,542
Gain on disposal of capital assets		\$ (69,936)

Logan County Hospital
d/b/a Logan County Health Services
A Component Unit of Logan County, Kansas
Notes to Financial Statements
December 31, 2018 and 2017

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

Nature of Operations and Reporting Entity

Logan County Hospital (the Hospital) is an acute care hospital located in Oakley, Kansas. The Hospital is doing business as Logan County Health Services. The Hospital is a component unit of Logan County, Kansas (Logan County). The Hospital is governed by the Board of Trustees, which are appointed by the Board of County Commissioners of Logan County. The Hospital primarily earns revenues by providing inpatient, outpatient, long-term care and emergency care services to patients in the Logan County area.

Basis of Accounting and Presentation

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

Use of Estimates

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

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Notes to Financial Statements
December 31, 2018 and 2017

Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2018 and 2017, the Hospital has no cash equivalents.

Noncurrent Cash

Noncurrent cash include assets consisting of cash set aside by the Board of Trustees for future capital improvements over which the Board of Trustees retains control and may at its direction subsequently use for other purposes.

Noncapital Appropriations – Logan County

The Hospital received approximately 4% of its financial support from proceeds of noncapital appropriations for property taxes during 2018 and 2017. One hundred percent of these funds were used to support operations in both years.

Property taxes are levied in November of one year and are received beginning in January of the following year. Noncapital appropriations revenue is recognized in full in the year in which use is first permitted.

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters, except for health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The Hospital is self-insured for a portion of its exposure to risk of loss from medical malpractice and employee health claims. Annual estimated provisions are accrued for the self-insured portion of medical malpractice and employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Patient Accounts Receivable

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

Logan County Hospital
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December 31, 2018 and 2017

Supplies

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

Capital Assets

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

Land improvements	8 – 20 years
Buildings	5 – 40 years
Equipment	3 – 20 years

Capital Asset Impairment

The Hospital evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment loss.

No asset impairment was recognized during the years ended December 31, 2018 and 2017.

Compensated Absences

Hospital policies permit most employees to accumulate paid time off and extended leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as paid time off benefits when earned whether the employee is expected to realize the benefit as time off or in cash. Extended leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs, and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Deferred Outflows of Resources

The Hospital reports the consumption of net position that is applicable to a future reporting period as deferred outflows of resources in a separate section of its balance sheets.

Logan County Hospital
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December 31, 2018 and 2017

Cost-Sharing Defined Benefit Pension Plan

The Hospital participates in a cost-sharing multiple-employer defined benefit pension plan, the Kansas Public Employees Retirement Savings Plan (KPERS). 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 KPERS and additions to/deductions from KPERS's fiduciary net position have been determined on the same basis as they are reported by KPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Defined Benefit Other Postemployment Benefit Plan

The Hospital has a single-employer defined benefit other postemployment benefit (OPEB) plan, Long-Term Disability (LTD) Plan (the OPEB Plan). For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Deferred Inflows of Resources

The Hospital reports an acquisition of net position that is applicable to a future reporting period as deferred inflows of resources in a separate section of its balance sheets.

Net Position (Deficit)

Net position (deficit) of the Hospital is classified in two components. Net investment in capital assets consist of capital assets net of accumulated depreciation and reduced by the outstanding balance of borrowings used to finance the purchase or construction of those assets. Unrestricted net position (deficit) is the remaining net position (deficit) that does not meet the definition of net investment in capital assets.

Net Patient Service Revenue

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

Logan County Hospital
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Notes to Financial Statements
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Charity Care

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

Income Taxes

As an essential government function of the County, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

Electronic Health Records Incentive Program

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records (EHR) technology. Critical access hospitals (CAHs) are eligible to receive incentive payments in the cost reporting period beginning in the federal fiscal year in which meaningful use criteria have been met. The Medicare incentive payment is for qualifying costs of the purchase of certified EHR technology multiplied by the Hospital's Medicare share fraction, which includes a 20% incentive. This payment is an acceleration of amounts that would have been received in future periods based on reimbursable costs incurred, including depreciation. If meaningful use criteria are not met in future periods, the Hospital is subject to penalties that would reduce future payments for services. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services. The final amount for any payment year under both programs is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The Hospital has recognized EHR incentive payment revenue of \$0 and \$51,150, which is included in net patient service revenue in the statement of revenues, expenses and changes in net position for the years ended December 31, 2018 and 2017, respectively.

**Logan County Hospital
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Notes to Financial Statements
December 31, 2018 and 2017**

Implementation of New Accounting Principle

In 2018, the Hospital implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures by state and local governments for postemployment benefits other than pensions. For defined benefit other postemployment benefit (OPEB) plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In accordance with GASB 75, the December 31, 2017, financial statements were restated to report the adoption of the standard. The effects of the restatement are as follows:

Net position, January 1, 2017, as previously reported	\$ 1,737,027
Total other postemployment benefits liability at January 1, 2017	<u>(332,791)</u>
Net position, January 1, 2017, as restated	<u>\$ 1,404,236</u>

Decrease in net position for the year ended December 31, 2017, was decreased by \$2,955. Total other postemployment benefits liability and deferred inflows of resources were also recorded at December 31, 2017, as described in *Note 11*.

Note 2: Net Patient Service Revenue

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

Medicare. The Hospital is recognized as a CAH, and is paid for inpatient acute care, skilled swing-bed and outpatient services rendered to Medicare program beneficiaries at one hundred one percent (101%) of actual cost subject to certain limitations. Medicare Rural Health Clinic services are reimbursed under a cost-based methodology. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare Administrative Contractor. Beginning April 1, 2013, a mandatory payment reduction, known as sequestration, of 2% went into effect. Under current legislation, sequestration is scheduled to last until 2025.

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Medicaid. Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed on a prospective payment methodology, which includes a hospital specific add-on percentage based on prior filed cost reports. The add-on percentage may be rebased at some time in the future. Services rendered for long-term care facility residents are reimbursed at a prospective rate, with annual cost reports submitted to the Medicaid program. Effective July 1, 2016, rates are computed using an average of the three most recent filed calendar cost reports and changes in the Medicaid resident case mix. The Medicaid cost reports are subject to audit by the State and adjustments to rates can be made retroactively. Due to certain financial and clinical criteria, the Hospital also receives Medicaid Disproportionate Share (DSH) funding. DSH payments received were \$173,952 and \$175,969 in 2018 and 2017, respectively.

Approximately 71% and 57% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2018 and 2017, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

Note 3: Deposits

Deposits

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

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

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December 31, 2018 and 2017**

At December 31, 2018 and 2017, respectively, \$361,320 and \$608,567 of the Hospital's bank balances of \$878,337 and \$1,076,394 were exposed to custodial credit risk as follows:

	2018	2017
Uninsured and collateral held by pledging financial institution's trust department or agent in other than the Hospital's name	\$ 361,320	\$ 608,567

Summary of Carrying Values

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

	2018	2017
Carrying value Deposits	\$ 750,842	\$ 935,691
Included in the following balance sheet captions		
Cash	\$ 58,184	\$ 103,970
Noncurrent cash	692,658	831,721
	\$ 750,842	\$ 935,691

Note 4: Patient Accounts Receivable

The Hospital grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at December 31 consisted of:

	2018	2017
Medicare	\$ 688,291	\$ 682,043
Medicaid	311,537	16,777
Other third-party payers	842,812	535,898
Patients	1,086,108	1,543,439
	2,928,748	2,778,157
Less allowance for uncollectible accounts	1,228,855	876,293
	\$ 1,699,893	\$ 1,901,864

**Logan County Hospital
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**Notes to Financial Statements
December 31, 2018 and 2017**

Note 5: Capital Assets

Capital assets activity for the years ended December 31 was:

	2018				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 53,181	\$ -	\$ -	\$ -	\$ 53,181
Land improvements	74,230	-	-	-	74,230
Buildings	6,641,248	-	-	-	6,641,248
Equipment	4,046,699	403,213	-	-	4,449,912
	<u>10,815,358</u>	<u>403,213</u>	<u>-</u>	<u>-</u>	<u>11,218,571</u>
Less accumulated depreciation					
Land improvements	74,230	-	-	-	74,230
Buildings	3,345,737	267,179	-	-	3,612,916
Equipment	3,187,705	308,510	-	-	3,496,215
	<u>6,607,672</u>	<u>575,689</u>	<u>-</u>	<u>-</u>	<u>7,183,361</u>
Capital assets, net	<u>\$ 4,207,686</u>	<u>\$ (172,476)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,035,210</u>
	2017				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 53,181	\$ -	\$ -	\$ -	\$ 53,181
Land improvements	74,230	-	-	-	74,230
Buildings	6,635,036	6,212	-	-	6,641,248
Equipment	4,524,018	312,474	(789,793)	-	4,046,699
	<u>11,286,465</u>	<u>318,686</u>	<u>(789,793)</u>	<u>-</u>	<u>10,815,358</u>
Less accumulated depreciation					
Land improvements	74,230	-	-	-	74,230
Buildings	3,072,288	273,449	-	-	3,345,737
Equipment	3,111,488	437,404	(361,187)	-	3,187,705
	<u>6,258,006</u>	<u>710,853</u>	<u>(361,187)</u>	<u>-</u>	<u>6,607,672</u>
Capital assets, net	<u>\$ 5,028,459</u>	<u>\$ (392,167)</u>	<u>\$ (428,606)</u>	<u>\$ -</u>	<u>\$ 4,207,686</u>

Logan County Hospital
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Notes to Financial Statements
December 31, 2018 and 2017

Note 6: Medical Malpractice Coverage and Claims

The Hospital purchases medical malpractice insurance which provides \$200,000 of coverage for each medical incident and \$600,000 of aggregate coverage for each policy year. The policy only covers claims made and reported to the insurer during the policy term, regardless of when the incident giving rise to the claim occurred. The Kansas Health Care Stabilization Fund provides an additional \$800,000 of coverage for each medical incident and \$2,400,000 of aggregate coverage for each policy year.

Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Note 7: Long-Term Obligations

The following is a summary of long-term obligation transactions for the Hospital for the years ended December 31:

	2018				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Notes payable	\$ 114,997	\$ -	\$ 60,000	\$ 54,997	\$ 54,997
Capital lease obligations	430,262	216,513	165,028	481,747	153,861
	<u>\$ 545,259</u>	<u>\$ 216,513</u>	<u>\$ 225,028</u>	<u>\$ 536,744</u>	<u>\$ 208,858</u>
	2017				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Notes payable	\$ 300,016	\$ -	\$ 185,019	\$ 114,997	\$ 60,000
Capital lease obligations	1,073,383	167,215	810,336	430,262	156,169
	<u>\$ 1,373,399</u>	<u>\$ 167,215</u>	<u>\$ 995,355</u>	<u>\$ 545,259</u>	<u>\$ 216,169</u>

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Notes Payable

Notes payable are due November 1, 2019, with principal payable annually. The debt service requirements as of December 31, 2018, are as follows:

<u>Year Ending December 31,</u>	<u>Total to be Paid</u>	<u>Principal</u>	<u>Interest</u>
2019	<u>\$ 54,997</u>	<u>\$ 54,997</u>	<u>\$ -</u>

Capital Lease Obligations

The Hospital is obligated under leases for equipment that are accounted for as capital leases. Assets under capital leases at December 31, 2018 and 2017, totaled \$968,398 and \$756,209, respectively, net of accumulated depreciation of \$519,630 and \$246,744, respectively. The following is a schedule by year of future minimum lease payments under the capital lease including interest at rates of 1.5% to 6.2% together with the present value of the future minimum lease payments as of December 31, 2018:

Year Ending December 31,	
2019	\$ 175,285
2020	148,562
2021	115,080
2022	68,369
2023	<u>19,562</u>
Total minimum lease payments	526,858
Less amounts representing interest	<u>45,111</u>
Present value of minimum lease payments	<u>\$ 481,747</u>

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Note 8: Employee Health Claims

Substantially all of the Hospital's employees and their dependents are eligible to participate in the Hospital's employee health insurance plan. The Hospital is self-insured for health claims of participating employees and dependents up to an annual aggregate amount of \$1,000,000. Commercial stop-loss insurance coverage is purchased for claims in excess of the aggregate annual amount.

A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Hospital's estimate will change by a material amount in the near term.

Activity in the Hospital's accrued employee health claims liability, which is included in accrued salaries and benefits in the accompanying balance sheets, during 2018 and 2017 is summarized as follows:

	2018	2017
Balance, beginning of year	\$ 157,331	\$ -
Current year claims incurred and changes in estimates for claims incurred in prior years	983,803	1,345,431
Claims and expenses paid	(1,053,397)	(1,188,100)
Balance, end of year	\$ 87,737	\$ 157,331

Note 9: Charity Care

The costs of charity care provided under the Hospital's charity care policy were \$231,413 and \$73,621 for 2018 and 2017, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

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Note 10: Pension Plan

Plan Description

The Hospital contributes to the Kansas Public Employees Retirement System (KPERS) plan a cost-sharing multiple-employer defined benefit pension plan covering substantially all employees. The KPERS is an umbrella organization administering the following three statewide retirement systems under one plan as provided by K.S.A. 74, Article 49: Kansas Public Employees Retirement System, Kansas Police and Fire Retirement System and Kansas Retirement System for Judges.

The KPERS is intended to be a qualified retirement plan under Section 401(a) of the Internal Revenue Code. Benefit provisions are contained in the plan document and were established and can be amended by action of KPERS's governing body. The KPERS issues a publicly available financial report that can be obtained by writing to KPERS, 611 South Kansas Avenue, Suite 100, Topeka, Kansas 66603-3869 or accessing the internet at www.KPERS.org.

KPERS makes separate calculations for pension-related amounts for the following four groups participating in the plan:

- State/School
- Local
- Police and Firemen
- Judges

The Hospital's employees participate in the Local group.

Benefits Provided

The plan provides retirement, disability and death benefits to plan members and their beneficiaries. Retirement benefits for employees are calculated based on the credited service, final average salary and a statutory multiplier. The plan has two levels of benefits depending on retirement age and years of credited service. Tier 1 benefits are for members who are age 65 or age 62 with ten years of credited service or of any age when combined age and years of credited service equal 85 "points." Tier 2 benefits are for members who are age 65 with five years of credited service or age 60 with 30 years of credited service. Tier 1 members receive a participating service credit of 1.75% of the final average salary for years of service prior to January 1, 2014. Participating service credit is 1.85% of final average salary for years of service after December 31, 2013. Tier 2 members retiring on or after January 1, 2012, participating service credit is 1.85% for all years of service.

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Early retirement is permitted at the age of 55 and 10 years of credited service. Benefits are reduced by 0.2% per month for each month between the ages of 60-62, plus 0.6% for each month between the ages of 55 and 60 for Tier 1 members. For Tier 2 members, benefits are reduced actuarially for each early commencement. The reduction factor is 35% at the age of 60 and 57.5% at age 55. If the member has 30 years of credited service, the early retirement reduction is less (50% of regular reduction). The plan also provides disability and death benefits to plan members and their beneficiaries.

The terms of the plan provide for annual 2% cost-of-living adjustment for Tier 2 members who retired prior to July 1, 2012, beginning the later of age of 65 or the second July 1 after retirement date. Other participants do not receive a cost-of-living adjustment.

Contributions

The law governing KPERS requires an actuary to make an annual valuation of the liabilities and reserves and a determination of the contributions required to discharge the KPERS liabilities. The actuary then recommends to the KPERS Board of Trustees the state wide employer-contribution rates required to maintain the three systems on the actuarial reserve basis. Prior to January 1, 2014, Tier 1 participants were required to contribute 4% of their annual pay. Effective January 1, 2014, the rate was raised to 5% with an increase in the benefit multiplier to 1.85% beginning January 1, 2014, for future years of service only. Effective January 1, 2015, the contribution rate was raised to 6%. Tier 2 participants are required to contribute 6% of compensation. The Hospital's contractually required contribution rate for the years ended December 31, 2018 and 2017, was 8.39% and 8.46% of annual payroll, respectively. The employer contribution is actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The Hospital's contributions to KPERS for pensions for the years ended December 31, 2018 and 2017, were \$579,981 and \$540,878, respectively.

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

At December 31, 2018 and 2017, the Hospital reported a liability of \$5,360,823 and 4,895,751, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of December 31, 2017 and 2016, respectively, rolled forward to June 30, 2018 and 2017, respectively. The Hospital's proportion of the net pension liability was based on the ratio of the Hospital's actual contributions to total employer and nonemployer actual contributions of the group for the respective measurement periods. At June 30, 2018, the Hospital's proportion was 0.384622%, which was an increase of 0.046624% from its proportion measured as of June 30, 2017, of 0.337998%. At June 30, 2016, the proportion was 0.334883%.

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For the years ended December 31, 2018 and 2017, the Hospital recognized pension expense of \$478,976 and \$380,937, respectively. At December 31, 2018 and 2017, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 19,355	\$ 151,902
Net difference between projected and actual earnings on pension plan investments	125,406	-
Changes of assumptions	232,146	25,816
Changes in proportion	617,612	441,184
Hospital's contributions subsequent to the measurement date	295,180	-
Total	\$ 1,289,699	\$ 618,902

	2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 23,679	\$ 169,285
Net difference between projected and actual earnings on pension plan investments	153,571	-
Changes of assumptions	263,656	35,800
Changes in proportion	185,282	614,199
Hospital's contributions subsequent to the measurement date	282,080	-
Total	\$ 908,268	\$ 819,284

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At December 31, 2018, the Hospital reported \$295,180 as deferred outflows of resources related to pension contributions made subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2018, related to pensions will be recognized in pension expense as follows:

2019	\$ 208,090
2020	64,859
2021	(47,474)
2022	123,079
2023	<u>27,063</u>
	<u><u>\$ 375,617</u></u>

Actuarial Assumptions

The total pension liability in the December 31, 2017 and 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>2018</u>	<u>2017</u>
Price inflation	2.75%	2.75%
Wage inflation	3.50%	3.50%
Salary increases, including inflation	3.5% to 12%	3.5% to 12%
Investment rate of return, net of pension plan investment expense, including inflation	7.75%	7.75%

Mortality rates were based on the RP-2014 Healthy Annuitant Table for males or females, as appropriate with adjustments for mortality improvements based on Scale MP-16 for the December 31, 2017 and 2016, actuarial valuations.

The actuarial assumptions used in the December 31, 2017 and 2016, valuations were based on the results of an actuarial experience study for the three-year period ended December 31, 2015.

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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 by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	2018		2017	
	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Global equity	47%	6.85%	47%	6.80%
Fixed income	13%	1.25%	13%	1.25%
Yield driven	8%	6.55%	8%	6.55%
Real return	11%	1.71%	11%	1.71%
Real estate	11%	5.05%	11%	5.05%
Alternatives	8%	9.85%	8%	9.85%
Short-term investments	2%	-0.25%	2%	-0.25%
	100%		100%	

Discount Rate

The discount rate used to measure the total pension liability for the years ended June 30, 2018 and 2017, was 7.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the contractually required rate. Participating employer contributions do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by KPERS' Board of Trustees for these groups may not increase by more than the statutory cap. The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Sensitivity of the Hospital's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The Hospital's proportionate share of the net pension liability has been calculated using a discount rate of 7.75%. The following presents the Hospital's proportionate share of the net pension liability calculated using a discount rate 1% higher and 1% lower than the current rate as of December 31, 2018:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Hospital's proportionate share of the net pension liability	\$ 7,862,429	\$ 5,360,823	\$ 3,246,740

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued KPERS' financial report.

Payable to the Pension Plan

At December 31, 2018 and 2017, the Hospital reported a payable of \$31,472 and \$22,867, respectively, for the outstanding amount of contributions to the pension plan required for the years ended December 31, 2018 and 2017, respectively.

Note 11: Other Postemployment Benefit Plan

Plan Description

The Hospital contributes to the KPERS Long-Term Disability plan (the OPEB Plan), a single-employer defined benefit other postemployment benefit (OPEB) plan covering substantially all employees. The OPEB Plan is administered by a board of trustees appointed by KPERS. The OPEB Plan's assets are not accumulated in a qualified trust because contributions from the employer to the OPEB plan and earnings on those contributions are not irrevocable. Benefit provisions are contained in the plan document and were established and can be amended by action of the KPERS's governing body. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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Benefits Provided

The OPEB Plan provides LTD and life insurance benefits to eligible disabled members. Benefits provided are self-funded, and the full cost of the benefits is covered by the OPEB Plan. The monthly benefit is 60% of the member's monthly rate of compensation, with a minimum of \$100 and a maximum of \$5,000. The monthly benefit is subject to reduction by deductible sources of income, which include Social Security primary disability or retirement benefits, worker's compensation benefits, other disability benefits from any other source by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while disability continues until the member's 65th birthday or retirement date, whichever first occurs. If the disability occurs at or after age 60, benefits are payable while disability continues, for a period of five years or until the date of the member's retirement, whichever first occurs. Upon the death of a member who is receiving monthly disability benefits, the plan will pay a lump sum benefit to eligible beneficiaries. The benefit amount will be 150% of the greater of (a) the member's annual rate of compensation at the time of disability, or (b) the member's previous 12 months of compensation at the time of the last date on payroll. If the member had been disabled for five or more years, the annual compensation or salary rate at the time of death will be indexed before the life insurance benefit is computed. The indexing is based on the consumer price index, less one percentage point. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, he or she may be eligible to receive up to 100% of the death benefit rather than having the benefit paid to the beneficiary.

The employees covered by the benefit terms at June 30 (the measurement date), are:

	2018	2017
Active employees	131	127
Disabled employees	1	1
	132	128

Total OPEB Liability

The Hospital's total OPEB liability of \$429,148 and \$322,125 was measured as of June 30, 2018 and 2017, for the years ended December 31, 2018 and 2017, respectively, and was determined by actuarial valuations as of December 31, 2017 and 2016, respectively, and rolled forward to June 30, 2018 and 2017, respectively.

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Notes to Financial Statements
December 31, 2018 and 2017**

The total OPEB liability in the December 31, 2017 and 2016, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2018	2017
Inflation	2.75%	2.75%
Discount rate	3.87%	3.58%
Salary increases, including inflation	3.50% to 10%	3.50% to 10%

The discount rate was based on the Bond Buyer General Obligation 20-Year Municipal Bond Index. The discount rate changed from 2.85% in 2016 to 3.58% in 2017.

Mortality rates were based on the RP-2014 Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups, as appropriate with adjustments for mortality improvements based on MP-2018 Mortality Tables for the December 31, 2017, actuarial valuation.

Mortality rates were based on the RP-2014 Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups, as appropriate with adjustments for mortality improvements based on MP-2017 Mortality Tables for the December 31, 2016, actuarial valuation.

The actuarial assumptions used in the December 31, 2017 and 2016, valuations were based on the results of an actuarial experience study for 2013 – 2015.

Changes in the Total OPEB Liability

Changes in the total OPEB liability are:

	2018	2017
Balance, beginning of year	\$ 322,125	\$ 332,791
Changes for the year:		
Service cost	24,141	22,302
Interest	10,908	9,639
Differences between expected and actual experience	160,092	-
Changes of assumptions	(4,226)	(8,599)
Benefit payments	(83,892)	(34,008)
Net changes	107,023	(10,666)
Balance, end of year	\$ 429,148	\$ 322,125

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December 31, 2018 and 2017**

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The total OPEB liability of the Hospital, at December 31, 2018, has been calculated using a discount rate of 3.87%. The following presents the total OPEB liability using a discount rate 1% higher and 1% lower than the 2018 discount rate.

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Hospital's total OPEB liability	\$ 443,763	\$ 429,148	\$ 414,855

The total OPEB liability of the Hospital, at December 31, 2017, has been calculated using a discount rate of 3.58%. The following presents the total OPEB liability using a discount rate 1% higher and 1% lower than the 2017 discount rate.

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Hospital's total OPEB liability	\$ 333,811	\$ 322,125	\$ 310,627

The total OPEB liability of the Hospital is not impacted by health care cost trend rates given the nature of the benefits provided by the OPEB plan, as such no sensitivity tables were prepared for the health care trend rates.

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OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the years ended December 31, 2018 and 2017, the Hospital recognized OPEB expense of \$50,246 and \$31,053, respectively. At December 31, 2018 and 2017, the Hospital reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 143,571	\$ -
Changes of assumptions	-	(10,613)
Total	\$ 143,571	\$ (10,613)
	2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	(7,711)
Total	\$ -	\$ (7,711)

Amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2018, related to OPEB will be recognized in OPEB expense as follows:

2019	\$ 15,197
2020	15,197
2021	15,197
2022	15,197
2023	15,197
Thereafter	56,973
	\$ 132,958

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Note 12: 340B Drug Pricing Program

The Hospital participates in the 340B Drug Pricing Program (340B Program) enabling the Hospital to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Hospital recorded revenues of \$1,135,667 and \$1,180,528 for the years ending December 31, 2018 and 2017, respectively, which is included in other operating revenue in the accompanying statement of revenues and expenses and changes in net position. The Hospital recorded expenses of \$644,853 and \$718,612 for the years ending December 31, 2018 and 2017, respectively, which is included in supplies and other in the accompanying statements of revenues and expenses and changes in net position. This program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to financial statement amounts related to the 340B Program could occur in the near term.

Note 13: Contingencies

Litigation

In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Hospital's commercial insurance. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

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Note 14: Future Change in Accounting Principle

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* (GASB 87) provides a new framework for accounting for leases under the principle that leases are financings. No longer will leases be classified between capital and operating. Lessees will recognize an intangible asset and a corresponding liability. The liability will be based on the payments expected to be paid over the lease term, which includes an evaluation of the likelihood of exercising renewal or termination options in the lease. Lessors will recognize a lease receivable and related deferred inflow of resources. Lessors will not derecognize the underlying asset. An exception to the general model is provided for short-term leases that cannot last more than 12 months. Contracts that contain lease and nonlease components will need to be separated so each component is accounted for accordingly. GASB 87 is effective for financial statements for fiscal years beginning after December 15, 2019. Earlier application is encouraged. Governments will be allowed to transition using the facts and circumstances in place at the time of adoption, rather than retroactive to the time each lease was begun. The Hospital is evaluating the impact the statement will have on the financial statements.

Required Supplementary Information

Logan County Hospital
d/b/a Logan County Health Services
A Component Unit of Logan County, Kansas
Schedule of the Hospital's Proportionate Share of the Net Pension Liability
Kansas Public Employees Retirement System Plan
Last Ten Fiscal Years

	2018 *	2017 *	2016 *	2015 *
Hospital's proportion of the net pension liability	0.384622%	0.337998%	0.334883%	0.402500%
Hospital's proportionate share of the net pension liability	\$ 5,360,823	\$ 4,895,751	\$ 5,180,739	\$ 5,285,265
Hospital's covered-employee payroll	\$ 6,874,402	\$ 5,993,175	\$ 5,739,620	\$ 6,737,786
Hospital's proportionate share of the net pension liability as a percentage of its covered-employee payroll	77.98%	81.69%	90.26%	78.44%
Plan fiduciary net position as a percentage of the total pension liability	68.88%	67.12%	65.10%	64.95%

Note to Schedule: This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

*The amounts presented for each fiscal year are as of the measurement date (June 30 of the year reported).

2014 *

0.400400%

\$ 4,928,015

\$ 6,614,103

74.51%

66.60%

Logan County Hospital
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Schedule of the Hospital's Pension Contributions
Kansas Public Employees Retirement System Plan
Last Ten Fiscal Years

	<u>2018 *</u>	<u>2017 *</u>	<u>2016 *</u>	<u>2015 *</u>
Contractually required contribution	\$ 579,981	\$ 540,878	\$ 535,679	\$ 571,285
Contribution in relation to the contractually required contribution	<u>579,981</u>	<u>540,878</u>	<u>535,679</u>	<u>571,285</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Hospital's covered-employee payroll	\$ 7,058,358	\$ 6,393,347	\$ 5,761,433	\$ 6,255,744
Contributions as a percentage of covered-employee payroll	8.22%	8.46%	9.30%	9.13%

Note to Schedule: This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

*The amounts presented for each fiscal year are as of the fiscal year-end (December 31 of the year reported).

2014 *

\$ 601,098

601,098

\$ 6,805,805

8.83%

**Logan County Hospital
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Schedule of Changes in the Hospital's Total OPEB Liability and Related Ratios
Last Ten Fiscal Years**

	<u>2018 *</u>	<u>2017 *</u>
Total OPEB Liability		
Service cost	\$ 24,141	\$ 22,302
Interest	10,908	9,639
Differences between expected and actual experience	160,092	-
Changes in assumptions	(4,226)	(8,599)
Benefit payments	<u>(83,892)</u>	<u>(34,008)</u>
Net Change in Total OPEB Liability	107,023	(10,666)
Hospital's Total OPEB Liability - Beginning	<u>322,125</u>	<u>332,791</u>
Hospital's Total OPEB Liability - Ending	<u><u>\$ 429,148</u></u>	<u><u>\$ 322,125</u></u>
Hospital's Covered-Employee Payroll	\$ 6,531,588	\$ 5,702,351
Hospital's Total OPEB Liability as a percentage of covered-employee payroll	6.57%	5.65%

Note to Schedule: This schedule is intended to show a 10-year trend. Additional years will be reported as they become available. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Changes in assumptions: Discount rate changed from 2.85% for 2016 to 3.58 % for 2017 and to 3.87% for 2018.

*The amounts presented for each fiscal year are as of the measurement date (June 30 of the year reported).