

**Norton County Hospital**  
**A Component Unit of Norton County, Kansas**  
Independent Auditor's Report and Financial Statements  
June 30, 2018 and 2017



**Norton County Hospital**  
**A Component Unit of Norton County, Kansas**  
**June 30, 2018 and 2017**

**Contents**

**Independent Auditor’s Report .....1**

**Financial Statements**

Balance Sheets ..... 3  
Statements of Revenues, Expenses and Changes in Net Position ..... 4  
Statements of Cash Flows ..... 5  
Notes to Financial Statements ..... 7

**Required Supplementary Information**

Schedule of the Hospital’s Proportionate Share of the Net Pension Liability ..... 37  
Schedule of the Hospital’s Pension Contributions ..... 38  
Schedule of Changes in the Hospital’s Total OPEB Liability and Related Ratios..... 39

**Supplementary Information**

Net Patient Service Revenue ..... 40  
Contractual Allowances, Charity Care and Other Operating Revenues ..... 41  
Operating Expenses ..... 42  
Insurance Coverage ..... 43

## Independent Auditor's Report

Board of Trustees  
Norton County Hospital  
Norton, Kansas

We have audited the accompanying financial statements of Norton County Hospital, a component unit of Norton County, Kansas, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise Norton County 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 Norton County Hospital as of June 30, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the pension and other postemployment benefit 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.

*Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Norton County Hospital's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*BKD, LLP*

Wichita, Kansas  
November 16, 2018

**Norton County Hospital**  
**A Component Unit of Norton County, Kansas**  
**Balance Sheets**  
**June 30, 2018 and 2017**

**Assets and Deferred Outflows of Resources**

	<u>2018</u>	<u>2017</u>
<b>Current Assets</b>		
Cash	\$ 2,920,668	\$ 3,196,173
Short-term certificates of deposit	2,452,336	2,142,400
Short-term investments	-	99,533
Patient accounts receivable, net of allowance; 2018 - \$674,000, 2017 - \$1,338,000	2,530,216	1,766,182
Noncapital appropriations receivable	59,035	58,162
Estimated amounts due from third-party payers	64,000	769,993
Contract pharmacy receivable	172,577	166,955
Supplies	344,458	388,822
Prepaid expenses	182,883	171,275
Other	-	25,174
	<hr/>	<hr/>
Total current assets	8,726,173	8,784,669
	<hr/>	<hr/>
<b>Noncurrent Certificates of Deposit and Investments</b>		
Held by Norton Regional Health Foundation	168,745	-
Held by Norton Regional Health Foundation for specific operating activities	157,534	-
Restricted by donors for capital acquisitions and specific operating activities	154,931	461,180
	<hr/>	<hr/>
	481,210	461,180
	<hr/>	<hr/>
<b>Capital Assets, Net</b>	4,591,921	4,962,475
	<hr/>	<hr/>
<b>Other Assets</b>	103,510	99,292
	<hr/>	<hr/>
Total assets	13,902,814	14,307,616
	<hr/>	<hr/>
<b>Deferred Outflows of Resources - Pension</b>	1,619,196	1,662,072
	<hr/>	<hr/>
Total assets and deferred outflows of resources	<u>\$ 15,522,010</u>	<u>\$ 15,969,688</u>

## Liabilities, Deferred Inflows of Resources and Net Position

	<u>2018</u>	<u>2017</u>
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 224,547	\$ 220,162
Accounts payable	280,894	256,773
Accrued expenses	784,482	879,770
Accrued self-insurance costs	56,000	52,000
Estimated amounts due to third-party payers	<u>242,635</u>	<u>164,769</u>
Total current liabilities	1,588,558	1,573,474
<b>Long-term Debt</b>	1,081,878	1,306,426
<b>Net Pension Liability</b>	5,570,456	5,577,598
<b>Total Other Postemployment Benefits Liability</b>	<u>81,376</u>	<u>-</u>
Total liabilities	<u>8,322,268</u>	<u>8,457,498</u>
<b>Deferred Inflows of Resources</b>		
Pension	233,349	152,845
Other postemployment benefits	<u>1,893</u>	<u>-</u>
Total deferred inflows of resources	<u>235,242</u>	<u>152,845</u>
<b>Net Position</b>		
Net investment in capital assets	3,285,496	3,415,887
Restricted - expendable for		
Capital acquisitions	152,431	295,146
Specific operating activities	160,034	166,034
Unrestricted	<u>3,366,539</u>	<u>3,482,278</u>
Total net position	<u>6,964,500</u>	<u>7,359,345</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 15,522,010</u>	<u>\$ 15,969,688</u>

**Norton County Hospital**  
**A Component Unit of Norton County, Kansas**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended June 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Operating Revenues</b>		
Net patient service revenue, net of provision for uncollectible accounts; 2018 - \$120,083, 2017 - \$592,598	\$ 12,240,049	\$ 12,241,138
Contract pharmacy revenue	2,014,770	2,119,235
Other	185,363	181,983
Total operating revenues	14,440,182	14,542,356
<b>Operating Expenses</b>		
Salaries	7,084,669	7,153,829
Employee benefits	1,786,751	1,661,124
Purchased services and professional fees	1,952,288	2,044,812
Drugs	1,238,205	1,157,402
Medical and surgical supplies	369,232	409,944
Food	61,435	90,583
Utilities	280,931	288,224
Legal and accounting fees	142,909	195,102
Other supplies and expenses	1,517,317	1,508,903
Depreciation	657,230	797,702
Total operating expenses	15,090,967	15,307,625
<b>Operating Loss</b>	(650,785)	(765,269)
<b>Nonoperating Revenues (Expenses)</b>		
Noncapital appropriations - Norton County	166,173	158,798
Investment income	139,455	77,529
Interest expense	(48,604)	(52,820)
Loss on disposal of capital assets	(12,601)	(841,169)
Noncapital grants and gifts	67,303	93,293
Total nonoperating revenues (expenses)	311,726	(564,369)
<b>Deficiency of Revenues Over Expenses Before Capital Grants and Gifts</b>	(339,059)	(1,329,638)
<b>Capital Grants and Gifts</b>	-	37,800
<b>Decrease in Net Position</b>	(339,059)	(1,291,838)
<b>Net Position, Beginning of Year</b>	7,359,345	8,651,183
<b>Change in Accounting Principle - GASB No. 75</b> (Notes 1 and 13)	(55,786)	-
<b>Net Position, End of Year</b>	\$ 6,964,500	\$ 7,359,345

**Norton County Hospital**  
**A Component Unit of Norton County, Kansas**  
**Statements of Cash Flows**  
**Years Ended June 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Operating Activities</b>		
Receipts from and on behalf of patients	\$ 12,254,252	\$ 11,267,565
Payments to suppliers and contractors	(5,460,680)	(5,764,992)
Payments to employees	(8,822,987)	(8,686,221)
Other receipts, net	2,200,133	2,301,218
Net cash provided by (used in) operating activities	170,718	(882,430)
<b>Noncapital Financing Activities</b>		
Noncapital appropriations - Norton County	165,300	153,000
Noncapital grants and gifts	67,303	93,293
Net cash provided by noncapital financing activities	232,603	246,293
<b>Capital and Related Financing Activities</b>		
Capital grants and gifts	-	37,800
Principal paid on long-term debt	(220,163)	(215,955)
Interest paid on long-term debt	(48,408)	(52,633)
Purchase of capital assets	(319,277)	(1,149,769)
Net cash used in capital and related financing activities	(587,848)	(1,380,557)
<b>Investing Activities</b>		
Investment income received	139,455	77,529
Purchase of investments	(5,384,863)	(5,671,528)
Proceeds from disposition of investments	5,311,964	5,772,987
Net cash provided by investing activities	66,556	178,988
<b>Decrease in Cash</b>	(117,971)	(1,837,706)
<b>Cash, Beginning of Year</b>	3,196,173	5,033,879
<b>Cash, End of Year</b>	\$ 3,078,202	\$ 3,196,173



**Norton County Hospital**  
**A Component Unit of Norton County, Kansas**  
**Statements of Cash Flows (Continued)**  
**Years Ended June 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Reconciliation of Operating Loss to Net</b>		
<b>Cash Provided by (Used in) Operating Activities</b>		
Operating loss	\$ (650,785)	\$ (765,269)
Depreciation	657,230	797,702
Changes in operating assets and liabilities		
Patient accounts receivable, net	(764,034)	404,623
Estimated amounts due from and to third-party payers	778,237	(1,378,196)
Accounts payable and accrued expenses	96,358	150,622
Other assets	53,712	(91,912)
Net cash provided by (used in) operating activities	\$ 170,718	\$ (882,430)
<b>Noncash Investing, Capital and Financing Activities</b>		
Capital assets acquisitions included in accounts payable	\$ -	\$ 20,000

**Norton County Hospital**  
**A Component Unit of Norton County, Kansas**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

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

***Nature of Operations and Reporting Entity***

Norton County Hospital (Hospital) is an acute care hospital located in Norton, Kansas. The Hospital is a component unit of Norton County, Kansas (County), and the Board of County Commissioners appoints members to the Board of Trustees of the Hospital. The Hospital primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in the Norton 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 are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific such as county appropriations, 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 is 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.

***Noncapital Appropriations – Norton County***

The Hospital received approximately 1% of its financial support from county appropriations derived from property taxes levied by Norton County in both 2018 and 2017. One hundred percent of these funds were used to support operations.

**Norton County Hospital**  
**A Component Unit of Norton County, Kansas**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

***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 employee health which is self insured. 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 employee health claims up to \$25,000 per individual. Claims in excess of \$25,000 per individual are covered through a reinsurance policy. Annual estimated provisions are accrued for the self-insured portion of employee health and dental claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not 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.

***Investments and Investment Income***

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

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

***Supplies***

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

**Norton County Hospital**  
**A Component Unit of Norton County, Kansas**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

**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	5 – 20 years
Buildings	5 – 40 years
Equipment	3 – 20 years

**Compensated Absences**

Hospital policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick 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.

**Cost-Sharing Defined Benefit Pension Plan**

The Hospital participates in a cost-sharing multiple-employer defined benefit pension plan, the Kansas Public Employees Retirement System 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 the plan and additions to/deductions from KPERS' 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.

**Norton County Hospital**  
**A Component Unit of Norton County, Kansas**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

***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 Outflows of Resources***

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

***Deferred Inflows of Resources***

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

***Net Position***

Net position of the Hospital is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Hospital. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

***Net Patient Service Revenue***

The 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.

**Norton County Hospital**  
**A Component Unit of Norton County, Kansas**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

**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. The Hospital has obtained 501(c)(3) tax-exempt status with the IRS for the purpose of employees participating in Section 403(b) annuities.

**Foundation**

The Norton Regional Health Foundation (Foundation) is a legally separate, not-for-profit 501(c)(3) corporation organized under the Kansas General Corporation Code for exclusively charitable purposes. The Hospital is the sole corporate member of the Foundation. As the Hospital may impose its will on the Foundation, and as it exists to provide services entirely to the Hospital, the Foundation is, accordingly, included as a component unit in the Hospital's financial statements using the blended method. All significant intercompany accounts and transactions have been eliminated in the accompanying financial statements.

**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 for up to four years under the Medicare program for its reasonable costs of the purchase of certified EHR technology multiplied by the Hospital's Medicare utilization plus 20%, limited to 100% of the costs incurred. Payments under the Medicaid program are generally made for up to three years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services (CMS). Payment under both programs are contingent on the hospital continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year 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 recorded revenue of approximately \$75,000 under the Medicaid program, which is included in net patient service revenue in the statements of revenues, expenses and changes in net position for the year ended June 30, 2017.

**Norton County Hospital**  
**A Component Unit of Norton County, Kansas**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

***Implementation of New Accounting Principle***

In fiscal year 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. 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. The Hospital has not restated its financial statements as of and for the year ended June 30, 2017, because actuarial information was not readily available for that period, thus making restatement of the 2017 financial statements impractical. The impact of implementing GASB 75 was reported as a change in the beginning net position in the 2018 fiscal year.

**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. Under CAH rules, inpatient acute care, skilled swing-bed and certain outpatient services rendered to Medicare program beneficiaries are paid at one hundred one percent (101%) of allowable cost subject to certain limitations. Other outpatient services related to Medicare beneficiaries are paid based on a combination of fee schedules and cost reimbursement methodologies. 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.

*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.

Due to certain financial and clinical criteria, the Hospital also receives Medicaid disproportionate share (DSH) funding. Medicaid DSH payments were \$318,000 and \$233,994 in 2018 and 2017, respectively.

**Norton County Hospital**  
**A Component Unit of Norton County, Kansas**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

Approximately 59% and 62% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended June 30, 2018 and 2017, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The 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, Investments and Investment Income**

***Deposits***

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The 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.

At June 30, 2018 and 2017, respectively, none of the Hospital's bank balances of \$5,618,739 and \$5,572,536, were exposed to custodial credit risk. At June 30, 2018 and 2017, respectively, \$0 and \$101,224 of the Foundation's bank balances of \$203,856 and \$351,224 were exposed to custodial credit risk as follows:

	<b>2018</b>	<b>2017</b>
Uninsured and uncollateralized	\$ -	\$ 101,224



**Norton County Hospital**  
**A Component Unit of Norton County, Kansas**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

***Summary of Carrying Values***

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

	<b>2018</b>	<b>2017</b>
Carrying value		
Deposits	\$ 5,527,935	\$ 5,799,753
Included in the following balance sheet captions		
Cash	\$ 2,920,668	\$ 3,196,173
Short-term certificates of deposit	2,452,336	2,142,400
Noncurrent certificates of deposit	154,931	461,180
	\$ 5,527,935	\$ 5,799,753

***Short-term Investments***

The Hospital may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest to a limited extent in corporate bonds and equity securities. At June 30, 2018 and 2017, the Hospital held investments of \$0 and \$99,533, respectively. The investment was in a mutual fund that was made up of Kansas municipal bonds.

The Hospital has typically only invested excess cash in certificate of deposits. The above noted investment was gifted to the Hospital in 2014 and is being monitored by the Hospital related to risk. Below is a detailed schedule of the makeup of investment income for 2018 and 2017.

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

The Hospital has the following recurring fair value measurements as of June 30, 2018 and 2017:

- Mutual funds (underlying investment in Kansas municipal bonds) of \$0 and \$99,533, respectively, are valued using quoted market prices (Level 1 inputs)

**Norton County Hospital**  
**A Component Unit of Norton County, Kansas**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

***Noncurrent Certificates of Deposit and Investments***

Noncurrent certificates of deposit and investments held by the Hospital and the Foundation are exposed to various risks, such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain securities, it is reasonably possible that changes in the values of securities will occur in the near term and that such changes could materially affect the amount reported in the statements of revenues, expenses and changes in net position.

Noncurrent certificates of deposit and investments consist of the following at June 30, 2018 and 2017:

Type	Fair Value	June 30, 2018		
		Maturity in Years		
		Less than 1	1-5	6-10
Equity mutual funds	\$ 170,297	\$ 170,297	\$ -	\$ -
Fixed income funds	64,839	64,839	-	-
Money market mutual funds	3,990	3,990	-	-
		<u>\$ 239,126</u>	<u>\$ -</u>	<u>\$ -</u>
Corporate stocks	87,153			
Certificates of deposit	<u>154,931</u>			
	<u>\$ 481,210</u>			
Type	Fair Value	June 30, 2017		
		Maturity in Years		
		Less than 1	1-5	6-10
Equity mutual funds	\$ -	\$ -	\$ -	\$ -
Fixed income funds	-	-	-	-
Money market mutual funds	-	-	-	-
		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Certificates of deposit	<u>461,180</u>			
	<u>\$ 461,180</u>			

**Norton County Hospital**  
**A Component Unit of Norton County, Kansas**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the Hospital’s investment policy does not limit the percentage of investment in various term investments. The money market mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Hospital will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying securities for the Hospital’s investments in repurchase agreements at June 30, 2018 and 2017, are held by the counterparties in other than the Hospital’s name. The Hospital’s investment policy does not address how securities underlying repurchase agreements are to be held.

**Investment Income**

Investment income for the years ended June 30 consisted of:

	<u>2018</u>	<u>2017</u>
Interest income	\$ 124,920	\$ 75,435
Net increase in fair value of investments	<u>14,535</u>	<u>2,094</u>
	<u>\$ 139,455</u>	<u>\$ 77,529</u>

**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 June 30, 2018 and 2017, consisted of:

	<u>2018</u>	<u>2017</u>
Medicare	\$ 1,601,430	\$ 707,112
Medicaid	49,587	55,451
Other third-party payers	886,888	819,253
Patients	<u>666,311</u>	<u>1,522,366</u>
	3,204,216	3,104,182
Less allowance for uncollectible accounts	<u>(674,000)</u>	<u>(1,338,000)</u>
	<u>\$ 2,530,216</u>	<u>\$ 1,766,182</u>

**Norton County Hospital**  
**A Component Unit of Norton County, Kansas**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

**Note 5: Capital Assets**

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

	<b>2018</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Ending Balance</b>
Land	\$ 157,482	\$ -	\$ -	\$ -	\$ 157,482
Land improvements	308,328	-	-	-	308,328
Buildings	10,041,445	-	(2,141)	-	10,039,304
Equipment	7,568,846	231,277	(2,147,085)	33,737	5,686,775
Construction in progress	33,737	68,000	-	(33,737)	68,000
	<u>18,109,838</u>	<u>299,277</u>	<u>(2,149,226)</u>	<u>-</u>	<u>16,259,889</u>
Less accumulated depreciation					
Land improvements	231,182	16,557	-	-	247,739
Buildings	6,247,166	359,014	(2,824)	-	6,603,356
Equipment	6,669,015	281,659	(2,133,801)	-	4,816,873
	<u>13,147,363</u>	<u>657,230</u>	<u>(2,136,625)</u>	<u>-</u>	<u>11,667,968</u>
Capital assets, net	<u>\$ 4,962,475</u>	<u>\$ (357,953)</u>	<u>\$ (12,601)</u>	<u>\$ -</u>	<u>\$ 4,591,921</u>
	<b>2017</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Ending Balance</b>
Land	\$ 157,482	\$ -	\$ -	\$ -	\$ 157,482
Land improvements	295,520	12,808	-	-	308,328
Buildings	9,871,932	43,322	-	126,191	10,041,445
Equipment	7,092,213	257,665	(120,883)	339,851	7,568,846
Construction in progress	978,296	358,965	(837,482)	(466,042)	33,737
	<u>18,395,443</u>	<u>672,760</u>	<u>(958,365)</u>	<u>-</u>	<u>18,109,838</u>
Less accumulated depreciation					
Land improvements	212,659	18,523	-	-	231,182
Buildings	5,873,081	374,085	-	-	6,247,166
Equipment	6,381,117	405,094	(117,196)	-	6,669,015
	<u>12,466,857</u>	<u>797,702</u>	<u>(117,196)</u>	<u>-</u>	<u>13,147,363</u>
Capital assets, net	<u>\$ 5,928,586</u>	<u>\$ (124,942)</u>	<u>\$ (841,169)</u>	<u>\$ -</u>	<u>\$ 4,962,475</u>

**Norton County Hospital**  
**A Component Unit of Norton County, Kansas**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

**Note 6: Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses included in current liabilities at June 30, 2018 and 2017, consisted of:

	<b>2018</b>	<b>2017</b>
Payable to suppliers and contractors	\$ 280,894	\$ 256,773
Payable to employees (including payroll taxes and benefits)	783,120	878,212
Accrued interest payable	1,362	1,558
Accrued health and dental claims	56,000	52,000
	<b>\$ 1,121,376</b>	<b>\$ 1,188,543</b>

**Note 7: 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 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 \$25,000 per covered employee. 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.

**Norton County Hospital**  
**A Component Unit of Norton County, Kansas**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

Activity in the Hospital's accrued employee health claims liability during 2018 and 2017 is summarized as follows:

	<b>2018</b>	<b>2017</b>
Balance, beginning of year	\$ 52,000	\$ 63,000
Current year claims incurred and changes in estimates for claims incurred in prior years	710,709	540,714
Claims and expenses paid	(706,709)	(551,714)
Balance, end of year	\$ 56,000	\$ 52,000

**Note 9: Long-term Debt**

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

	<b>2018</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Long-term debt					
Revenue bonds payable (A)	\$ 427,228	\$ -	\$ 53,597	\$ 373,631	\$ 55,942
Revenue bonds payable (B)	1,099,360	-	166,566	932,794	168,605
Total long-term debt	\$1,526,588	\$ -	\$ 220,163	\$1,306,425	\$ 224,547
	<b>2017</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Long-term debt					
Revenue bonds payable (A)	\$ 478,578	\$ -	\$ 51,350	\$ 427,228	\$ 53,597
Revenue bonds payable (B)	1,263,965	-	164,605	1,099,360	166,565
Total long-term debt	\$1,742,543	\$ -	\$ 215,955	\$1,526,588	\$ 220,162

**Norton County Hospital**  
**A Component Unit of Norton County, Kansas**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

**Revenue Bonds Payable (A)**

The revenue bonds payable consists of the Norton County, Kansas Hospital Revenue Bonds Series 2004A, 2004C and 2005 in the original amounts of \$200,000, \$450,000 and \$950,000, respectively. The bonds are payable in annual installments through May 27, 2024. The Hospital, acting as its own trustee, is required to make monthly deposits of approximately \$11,857 to a debt service fund. All of the bonds still outstanding may be redeemed at the Hospital's option at any time at a redemption price of 100%. The bonds are secured by the net revenues of the Hospital and the assets restricted under the bond indenture agreement.

The indenture agreement requires the Hospital to comply with certain restrictive covenants including minimum insurance coverage, maintaining a debt-service coverage ratio of at least 1.10 to 1 and restrictions on incurrence of additional debt.

**Revenue Bonds Payable (B)**

The revenue bonds payable consists of the Norton County, Kansas Hospital Revenue Bonds Series 2011A and 2011B in the original amounts of \$1,200,000 and \$1,040,000, respectively. The bonds are payable in annual installments through June 15, 2031. The Hospital, acting as its own trustee, is required to make monthly deposits of approximately \$16,979 to a debt service fund. All of the bonds still outstanding may be redeemed at the Hospital's option at any time at a redemption price of 100%. The bonds are secured by the net revenues of the Hospital and the assets restricted under the bond indenture agreement.

The indenture agreement requires the Hospital to comply with certain restrictive covenants including minimum insurance coverage, maintaining a debt-service coverage ratio of at least 1.10 to 1 and restrictions on incurrence of additional debt.

The revenue bond debt service requirements as of June 30, 2018, are as follows:

<b>Year Ending June 30,</b>	<b>Total to be Paid</b>	<b>Principal</b>	<b>Interest</b>
2019	\$ 268,961	\$ 224,547	\$ 44,414
2020	268,832	228,988	39,844
2021	153,406	118,318	35,088
2022	153,406	123,279	30,127
2023	153,406	128,449	24,957
2024 - 2028	476,882	417,858	59,024
2029 - 2031	67,585	64,986	2,599
	<u>\$ 1,542,478</u>	<u>\$ 1,306,425</u>	<u>\$ 236,053</u>

**Norton County Hospital**  
**A Component Unit of Norton County, Kansas**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

**Note 10: Restricted Net Position**

At June 30, 2018 and 2017, restricted expendable net position was available for the following purposes:

	<b>2018</b>	<b>2017</b>
Capital acquisitions	\$ 152,431	\$ 295,146
Specific operating activities		
Nursing scholarships	160,034	166,034
Total restricted expendable net position	\$ 312,465	\$ 461,180

**Note 11: Charity Care**

The costs of charity care provided under the Hospital’s charity care policy were \$115,809 and \$94,835 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.

**Note 12: Pension Plan**

***Plan Description***

The Kansas Public Employees Retirement System Plan 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 (KPERS), Kansas Police and Fire Retirement System and Kansas Retirement System for Judges.

The KPERS plan is a cost-sharing multiple-employer defined benefit plan. KPERS is intended to be a qualified retirement plan under Section 401(a) of the Code. Information relating to KPERS, including stand-alone financial statements, is available by writing to KPERS, 611 South Kansas Avenue, Suite 100, Topeka, Kansas 66603-3869 or accessing the internet at [www.KPERS.org](http://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.



**Norton County Hospital**  
**A Component Unit of Norton County, Kansas**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

***Benefits Provided***

Retirement benefits for employees are calculated based on the credited service, final average salary and a statutory multiplier. KPERS 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 10 years of credited service or of any age when combined aged 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.

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 4.0% of their annual pay. Effective January 1, 2014, the rate was raised to 5.0% 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 year ended June 30, 2018 and 2017, was 8.43% and 8.82% 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 June 30, 2018 and 2017, were \$567,137 and \$600,418, respectively.

**Norton County Hospital**  
**A Component Unit of Norton County, Kansas**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

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

At June 30, 2018 and 2017, the Hospital reported a liability of \$5,570,456 and \$5,577,598, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016 and 2015, respectively, rolled forward to June 30, 2017 and 2016, 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, 2017, the Hospital's proportion was 0.384579%, which was an increase of 0.024043% from its proportion measured as of June 30, 2016, of 0.360536%. The June 30, 2016, Hospital proportion was an increase of 0.018838% from its proportion measured as of June 30, 2015.

For the years ended June 30, 2018 and 2017, the Hospital recognized pension expense of \$686,721 and \$593,656, respectively. At June 30, 2018 and 2017, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>2018</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 26,942	\$ 192,615
Net difference between projected and actual earning on pension plan investments	174,736	-
Changes of assumptions	299,992	40,734
Changes in proportion and differences between the Hospital's contributions and proportionate share of contributions	550,389	-
Hospital's contributions subsequent to the measurement date	567,137	-
Total	<u>\$ 1,619,196</u>	<u>\$ 233,349</u>

**Norton County Hospital**  
**A Component Unit of Norton County, Kansas**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

	<b>2017</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 32,372	\$ 100,670
Net difference between projected and actual earning on pension plan investments	658,881	-
Changes of assumptions	-	52,175
Changes in proportion and differences between the Hospital's contributions and proportionate share of contributions	370,401	-
Hospital's contributions subsequent to the measurement date	600,418	-
Total	<u>\$ 1,662,072</u>	<u>\$ 152,845</u>

At June 30, 2018, the Hospital reported \$567,137 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 June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2018, related to pensions will be recognized in pension expense as follows:

2019	\$ 143,102
2020	356,274
2021	250,780
2022	25,485
2023	43,069
	<u>\$ 818,710</u>

**Actuarial Assumptions**

The total pension liability in the December 31, 2016 and 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<b>2016</b>	<b>2015</b>
Price inflation	2.75%	3.00%
Wage inflation	3.50%	4.00%
Salary increases, including inflation	3.5% to 12%	4% to 16%
Investment rate of return, net of pension plan investment expense, including inflation	7.75%	8.00%

**Norton County Hospital**  
**A Component Unit of Norton County, Kansas**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

The mortality rates used in the December 31, 2016, valuation were based on the RP-2014 Healthy Annuitant Table adjusted by age setbacks and age set forwards as well as other adjustments for mortality improvements based on Scale MP-2016.

The mortality rates used in the December 31, 2015, valuation were based on the RP-2000 Healthy Annuitant Table for males or females, as appropriate with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the December 31, 2016 and 2015, valuations were based on the results of an actuarial experience study for the three-year periods ended December 31, 2015 and 2012, respectively.

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:

<b>Asset Class</b>	<b>2017</b>		<b>2016</b>	
	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
Global equity	47%	6.80%	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%	

**Norton County Hospital**  
**A Component Unit of Norton County, Kansas**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

***Discount Rate***

The discount rate used to measure the total pension liability was for the years ended June 30, 2017 and 2016, was 7.75% and 8%, respectively. 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.

***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.

	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
Hospital's proportionate share of the net pension liability (2018)	\$ 8,022,674	\$ 5,570,456	\$ 3,503,332

***Pension Plan Fiduciary Net Position***

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

**Norton County Hospital**  
**A Component Unit of Norton County, Kansas**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

**Note 13: 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.

***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 December 31, 2016, are:

Active employees	123	
Disabled employees	-	
		123
		123

**Norton County Hospital**  
**A Component Unit of Norton County, Kansas**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

**Total OPEB Liability**

The Hospital's total OPEB liability of \$81,376 was measured as of June 30, 2017, for the year ended June 30, 2018, and was determined by an actuarial valuation as of December 31, 2016, and rolled forward to June 30, 2017.

The total OPEB liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Discount rate	3.58%; 2.85% at June 30, 2016
Salary increases	3.5% - 10%, including inflation

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

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.

The actuarial assumptions used in the June 30, 2017, valuation was based on the results of an actuarial experience study for the period June 30, 2014 through June 30, 2016.

**Changes in the Total OPEB Liability**

Changes in the total OPEB liability are:

	<b>2018</b>
	<b>Total OPEB</b>
	<b>Liability</b>
	<u>                    </u>
Balance, beginning of year	\$ 55,786
Changes for the year:	
Service cost	25,387
Interest	2,314
Change of benefit terms	-
Differences between expected and actual experience	(2,111)
Benefit payments	-
Other changes	-
	<u>                    </u>
Net changes	<u>25,590</u>
Balance, end of year	<u><u>\$ 81,376</u></u>

**Norton County Hospital**  
**A Component Unit of Norton County, Kansas**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

***Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Health Care Cost Trend Rates***

The total OPEB liability of the Hospital 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 current discount rate.

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Hospital's total OPEB Liability	\$ 84,059	\$ 81,376	\$ 78,182

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.

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

For the year ended June 30, 2018, the Hospital recognized OPEB expense of \$27,483. At June 30, 2018, the Hospital reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	1,893
Hospital's contributions subsequent to the measurement date	-	-
Total	\$ -	\$ 1,893



**Norton County Hospital**  
**A Component Unit of Norton County, Kansas**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2018, related to OPEB will be recognized in OPEB expense as follows:

2019	\$	(218)
2020		(218)
2021		(218)
2022		(218)
2023		(218)
Thereafter		<u>(803)</u>
	<u>\$</u>	<u>(1,893)</u>

**Note 14: Disclosures About Fair Value of Assets and Liabilities**

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

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

**Norton County Hospital**  
**A Component Unit of Norton County, Kansas**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

**Recurring Measurements**

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2018; there were no investments held as of June 30, 2017:

2018	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level</b>				
Corporate Stock - domestic	\$ 87,153	\$ 87,153	\$ -	\$ -
Mutual funds				
Equities - domestic	170,297	170,297	-	-
Fixed income	64,839	64,839	-	-
Money Market	3,990	3,990		
	<u>\$ 326,279</u>	<u>\$ 326,279</u>	<u>\$ -</u>	<u>\$ -</u>

**Note 15: 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; for example, allegations regarding employment practices or performance of contracts. 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.

**Norton County Hospital**  
**A Component Unit of Norton County, Kansas**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

**Note 16: Condensed Combining Information**

The following tables include condensed combining balance sheet information for the Hospital and its blended component unit as of June 30, 2018 and 2017:

	<b>June 30, 2018</b>		
	<b>Hospital</b>	<b>Foundation</b>	<b>Total</b>
<b>Assets</b>			
Current assets	\$ 8,522,317	\$ 203,856	\$ 8,726,173
Capital assets, net	4,591,921	-	4,591,921
Other assets	415,975	168,745	584,720
Total assets	<u>13,530,213</u>	<u>372,601</u>	<u>13,902,814</u>
<b>Deferred Outflows of Resources</b>	<u>1,619,196</u>	<u>-</u>	<u>1,619,196</u>
Total assets and deferred outflows of resources	<u>\$ 15,149,409</u>	<u>\$ 372,601</u>	<u>\$ 15,522,010</u>
<b>Liabilities</b>			
Current liabilities	\$ 1,588,558	\$ -	\$ 1,588,558
Noncurrent liabilities	6,733,710	-	6,733,710
Total liabilities	<u>8,322,268</u>	<u>-</u>	<u>8,322,268</u>
<b>Deferred Inflows of Resources</b>	<u>235,242</u>	<u>-</u>	<u>235,242</u>
<b>Net Position</b>			
Net investments in capital assets	3,285,496	-	3,285,496
Restricted expendable	154,931	157,534	312,465
Unrestricted	3,151,472	215,067	3,366,539
Total net position	<u>6,591,899</u>	<u>372,601</u>	<u>6,964,500</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 15,149,409</u>	<u>\$ 372,601</u>	<u>\$ 15,522,010</u>

**Norton County Hospital**  
**A Component Unit of Norton County, Kansas**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

	<b>June 30, 2017</b>		
	<b>Hospital</b>	<b>Foundation</b>	<b>Total</b>
<b>Assets</b>			
Current assets	\$ 8,433,446	\$ 351,223	\$ 8,784,669
Capital assets, net	4,962,475	-	4,962,475
Other assets	560,472	-	560,472
Total assets	<u>13,956,393</u>	<u>351,223</u>	<u>14,307,616</u>
<b>Deferred Outflows of Resources</b>	<u>1,662,072</u>	<u>-</u>	<u>1,662,072</u>
Total assets and deferred outflows of resources	<u>\$ 15,618,465</u>	<u>\$ 351,223</u>	<u>\$ 15,969,688</u>
<b>Liabilities</b>			
Current liabilities	\$ 1,573,474	\$ -	\$ 1,573,474
Noncurrent liabilities	6,884,024	-	6,884,024
Total liabilities	<u>8,457,498</u>	<u>-</u>	<u>8,457,498</u>
<b>Deferred Inflows of Resources</b>	<u>152,845</u>	<u>-</u>	<u>152,845</u>
<b>Net Position</b>			
Net investments in capital assets	3,415,887	-	3,415,887
Restricted expendable	461,180	-	461,180
Unrestricted	3,131,055	351,223	3,482,278
Total net position	<u>7,008,122</u>	<u>351,223</u>	<u>7,359,345</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 15,618,465</u>	<u>\$ 351,223</u>	<u>\$ 15,969,688</u>

**Norton County Hospital**  
**A Component Unit of Norton County, Kansas**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

The following tables include condensed combining statement of revenues, expenses and changes in net position information for the Hospital and its blended component unit for the years ended June 30, 2018 and 2017:

	<b>June 30, 2018</b>		
	<b>Hospital</b>	<b>Foundation</b>	<b>Total</b>
<b>Operating Revenues</b>	\$ 14,440,182	\$ -	\$ 14,440,182
<b>Operating Expenses</b>			
Salaries	7,084,669	-	7,084,669
Employee benefits	1,786,751	-	1,786,751
Supplies and other	5,529,066	33,251	5,562,317
Depreciation	657,230	-	657,230
	<u>15,057,716</u>	<u>33,251</u>	<u>15,090,967</u>
<b>Operating Loss</b>	<u>(617,534)</u>	<u>(33,251)</u>	<u>(650,785)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Noncapital appropriations - Norton County	166,173	-	166,173
Investment income	112,926	26,529	139,455
Interest expense	(48,604)	-	(48,604)
Loss disposal of capital assets	(12,601)	-	(12,601)
Noncapital grants and gifts	39,203	28,100	67,303
	<u>257,097</u>	<u>54,629</u>	<u>311,726</u>
<b>Excess (Deficiency) of Revenues Over Expenses Before Transfers</b>	(360,437)	21,378	(339,059)
<b>Transfers</b>	<u>(157,534)</u>	<u>157,534</u>	<u>-</u>
<b>Increase (Decrease) in Net Position</b>	(517,971)	178,912	(339,059)
<b>Net Position, Beginning of Year</b>	7,008,122	351,223	7,359,345
<b>Change in Accounting Principle - GASB No. 75</b>	<u>(55,786)</u>	<u>-</u>	<u>(55,786)</u>
<b>Net Position, End of Year</b>	<u>\$ 6,434,365</u>	<u>\$ 530,135</u>	<u>\$ 6,964,500</u>

**Norton County Hospital**  
**A Component Unit of Norton County, Kansas**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

	<b>June 30, 2017</b>		
	<b>Hospital</b>	<b>Foundation</b>	<b>Total</b>
<b>Operating Revenues</b>	\$ 14,542,356	\$ -	\$ 14,542,356
<b>Operating Expenses</b>			
Salaries	7,153,829	-	7,153,829
Employee benefits	1,661,124	-	1,661,124
Supplies and other	5,692,232	2,738	5,694,970
Depreciation	797,702	-	797,702
<b>Operating Expenses</b>	<u>15,304,887</u>	<u>2,738</u>	<u>15,307,625</u>
<b>Operating Loss</b>	<u>(762,531)</u>	<u>(2,738)</u>	<u>(765,269)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Noncapital appropriations - Norton County	158,798	-	158,798
Investment income	76,797	732	77,529
Interest expense	(52,820)	-	(52,820)
Loss disposal of capital assets	(841,169)	-	(841,169)
Noncapital grants and gifts	64,890	28,403	93,293
	<u>(593,504)</u>	<u>29,135</u>	<u>(564,369)</u>
<b>Excess (Deficiency) of Revenues Over Expenses     Before Capital Grants and Gifts</b>	(1,356,035)	26,397	(1,329,638)
<b>Capital Grants and Gifts</b>	<u>37,800</u>	<u>-</u>	<u>37,800</u>
<b>Increase (Decrease) in Net Position</b>	(1,318,235)	26,397	(1,291,838)
<b>Net Position, Beginning of Year</b>	<u>8,326,357</u>	<u>324,826</u>	<u>8,651,183</u>
<b>Net Position, End of Year</b>	<u>\$ 7,008,122</u>	<u>\$ 351,223</u>	<u>\$ 7,359,345</u>

**Norton County Hospital**  
**A Component Unit of Norton County, Kansas**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

The following tables include condensed combining statement of cash flows information for the Hospital and its blended component unit for the years ended June 30, 2018 and 2017:

	<b>June 30, 2018</b>		
	<b>Hospital</b>	<b>Foundation</b>	<b>Total</b>
<b>Net Cash Provided by Operating Activities</b>	\$ 170,718	\$ -	\$ 170,718
<b>Net Cash Provided by Noncapital Financing Activities</b>	204,503	28,100	232,603
<b>Net Cash Used in Capital and Related Financing Activities</b>	(587,848)	-	(587,848)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<u>40,027</u>	<u>26,529</u>	<u>66,556</u>
<b>Increase (Decrease) in Cash</b>	(172,600)	54,629	(117,971)
<b>Cash, Beginning of Year</b>	<u>2,842,212</u>	<u>353,961</u>	<u>3,196,173</u>
<b>Cash, End of Year</b>	<u><u>\$ 2,669,612</u></u>	<u><u>\$ 408,590</u></u>	<u><u>\$ 3,078,202</u></u>
	<b>June 30, 2017</b>		
	<b>Hospital</b>	<b>Foundation</b>	<b>Total</b>
<b>Net Cash Used in Operating Activities</b>	\$ (882,430)	\$ -	\$ (882,430)
<b>Net Cash Provided by Noncapital Financing Activities</b>	217,890	28,403	246,293
<b>Net Cash Used in Capital and Related Financing Activities</b>	(1,380,557)	-	(1,380,557)
<b>Net Cash Provided by Investing Activities</b>	<u>178,256</u>	<u>732</u>	<u>178,988</u>
<b>Increase (Decrease) in Cash</b>	(1,866,841)	29,135	(1,837,706)
<b>Cash, Beginning of Year</b>	<u>4,709,053</u>	<u>324,826</u>	<u>5,033,879</u>
<b>Cash, End of Year</b>	<u><u>\$ 2,842,212</u></u>	<u><u>\$ 353,961</u></u>	<u><u>\$ 3,196,173</u></u>

## **Required Supplementary Information**



**Norton County Hospital**  
**A Component Unit of Norton County, Kansas**  
**Schedule of the Hospital's Proportionate Share of the Net Pension Liability**  
**Kansas Public Employees Retirement System Plan**  
**Last 10 Fiscal Years**

	<u>2018 *</u>	<u>2017 *</u>	<u>2016 *</u>	<u>2015 *</u>
Hospital's proportion of the net pension liability	0.384579%	0.360536%	0.341698%	0.332467%
Hospital's proportionate share of the net pension liability	\$5,570,456	\$5,577,598	\$4,486,645	\$4,092,047
Hospital's covered-employee payroll	\$6,814,466	\$6,172,082	\$5,693,377	\$5,438,769
Hospital's proportionate share of the net pension liability as a percentage of its covered-employee payroll	81.74%	90.37%	78.80%	75.24%
Plan fiduciary net position as a percentage of the total pension liability	67.12%	65.10%	64.95%	66.60%

**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 each previous fiscal year).

**Norton County Hospital**  
**A Component Unit of Norton County, Kansas**  
**Schedule of the Hospital's Pension Contributions**  
**Kansas Public Employees Retirement System Plan**  
**Last 10 Fiscal Years**

	<u>2018 *</u>	<u>2017 *</u>	<u>2016 *</u>	<u>2015 *</u>
Contractually required contribution	\$ 567,137	\$ 600,418	\$ 575,559	\$ 515,352
Contribution in relation to the contractually required contribution	<u>567,137</u>	<u>600,418</u>	<u>575,559</u>	<u>515,352</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Hospital's covered-employee payroll	\$ 6,737,285	\$ 6,814,466	\$ 6,172,082	\$ 5,693,377
Contributions as a percentage of covered-employee payroll	8.42%	8.81%	9.33%	9.05%

**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 most recent fiscal year-end (June 30).

**Norton County Hospital**  
**A Component Unit of Norton County, Kansas**  
**Schedule of Changes in the Hospital's Total OPEB Liability and Related Ratios**  
**Last 10 Fiscal Years**

	<b>2018 *</b>
<b>Total OPEB Liability</b>	
Service cost	\$ 25,387
Interest on total OPEB liability	2,314
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions or other inputs	(2,111)
Benefit payments	-
<b>Net Change in Total OPEB Liability</b>	25,590
<b>Hospital's Total OPEB Liability - Beginning</b>	55,786
<b>Hospital's Total OPEB Liability - Ending</b>	\$ 81,376
<b>Hospital's Covered-Employee Payroll</b>	\$ 6,625,913
<b>Hospital's Total OPEB Liability as a percentage of covered-employee payroll</b>	1.23%

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

*Changes of assumptions* – Discount rate changed from 2.85% to 3.58%

\*The amounts presented for each fiscal year are as of the most recent fiscal year-end (June 30)

## **Supplementary Information**

**Norton County Hospital**  
**A Component Unit of Norton County, Kansas**  
**Net Patient Service Revenue**  
**Years Ended June 30, 2018 and 2017**

	<b>2018</b>		<b>Total</b>
	<b>Inpatient</b>	<b>Outpatient</b>	
Nursing, dietary and room services			
Acute hospital	\$ 862,951	\$ -	\$ 862,951
Swing-beds	607,730	-	607,730
Observation	9,947	292,725	302,672
Nursery	65,883	-	65,883
Operating room	30,606	667,167	697,773
Delivery room	64,807	1,640	66,447
Anesthesia	87,314	183,564	270,878
Radiology	102,478	2,372,727	2,475,205
Laboratory	191,567	1,926,584	2,118,151
Respiratory therapy	65,038	165,057	230,095
Physical therapy	156,395	883,579	1,039,974
Speech therapy	4,381	15,360	19,741
Occupational therapy	85,353	69,514	154,867
Electrocardiology	8,960	275,768	284,728
Central supply	103,407	310,690	414,097
Pharmacy	271,151	3,399,382	3,670,533
Outpatient clinics	57,192	229,475	286,667
Lifeline	-	24,364	24,364
Rural health clinic	-	1,716,280	1,716,280
Emergency room	275,951	1,647,928	1,923,879
	<u>\$ 3,051,111</u>	<u>\$ 14,181,804</u>	17,232,915
Provision for uncollectible accounts			120,083
Less contractual allowances and charity care			<u>4,872,783</u>
Net patient service revenue			<u><u>\$ 12,240,049</u></u>

<b>2017</b>		
<b>Inpatient</b>	<b>Outpatient</b>	<b>Total</b>
\$ 944,252	\$ -	\$ 944,252
578,602	-	578,602
19,865	372,112	391,977
46,917	-	46,917
23,737	888,639	912,376
41,112	2,050	43,162
31,198	242,500	273,698
105,002	2,309,552	2,414,554
178,806	1,973,945	2,152,751
214,216	209,927	424,143
153,394	865,881	1,019,275
4,327	6,208	10,535
85,084	84,835	169,919
5,376	304,234	309,610
108,573	359,664	468,237
293,498	2,808,576	3,102,074
162,399	232,985	395,384
-	22,746	22,746
-	1,823,398	1,823,398
156,346	1,838,938	1,995,284
<b>\$ 3,152,704</b>	<b>\$ 14,346,190</b>	<b>17,498,894</b>
		592,598
		4,665,158
		<b>\$ 12,241,138</b>

**Norton County Hospital**  
**A Component Unit of Norton County, Kansas**  
**Contractual Allowances, Charity Care and Other Operating Revenues**  
**Years Ended June 30, 2018 and 2017**

**Contractual Allowances and Charity Care**

	<u>2018</u>	<u>2017</u>
Charity care	\$ 140,177	\$ 116,216
Contractual allowances		
Medicare	2,018,954	1,914,143
Medicaid	396,827	271,782
Blue Cross	1,805,009	1,837,468
Other	452,117	453,132
Employee discounts	<u>59,699</u>	<u>72,417</u>
	<u>\$ 4,872,783</u>	<u>\$ 4,665,158</u>

**Other Operating Revenues**

	<u>2018</u>	<u>2017</u>
Cafeteria sales	\$ 56,080	\$ 104,649
Rent	30,085	27,500
Medical records transcript fees	5,016	10,176
Mobile ultrasound	79,043	20,635
Medical supplies	14	(301)
Miscellaneous	<u>15,125</u>	<u>19,324</u>
	<u>\$ 185,363</u>	<u>\$ 181,983</u>

**Norton County Hospital**  
**A Component Unit of Norton County, Kansas**  
**Operating Expenses**  
**Years Ended June 30, 2018 and 2017**

	<b>2018</b>		<b>Total</b>
	<b>Salaries</b>	<b>Other</b>	
Nursing services	\$ 1,229,859	\$ 185,455	\$ 1,415,314
Operating room and recovery room	92,510	343,018	435,528
Delivery room	78,027	16,167	94,194
Anesthesia	220,592	46,331	266,923
Radiology	411,907	414,895	826,802
Laboratory	263,848	354,581	618,429
Chemotherapy	25,711	37,788	63,499
Respiratory therapy	76,267	42,323	118,590
Physical therapy	439,949	16,380	456,329
Speech therapy	-	15,036	15,036
Occupational therapy	70,188	2,569	72,757
Electrocardiology	51,219	20,998	72,217
Central supply	35,817	47,186	83,003
Pharmacy	41,332	760,681	802,013
Contract pharmacy	-	1,492,768	1,492,768
Outpatient clinics	100,978	6,420	107,398
Doctors' building clinic	2,155,294	87,562	2,242,856
Emergency room	131,980	197,069	329,049
Depreciation	-	657,230	657,230
Employee benefits	-	1,786,751	1,786,751
Administration and general	837,100	1,010,262	1,847,362
Social services	24,769	219	24,988
Plant operation	129,469	342,366	471,835
Laundry and linen	30,678	4,122	34,800
Housekeeping	142,799	15,472	158,271
Dietary	214,918	77,146	292,064
Nursing administration	155,251	14,285	169,536
Medical records	124,207	11,218	135,425
	<u>\$ 7,084,669</u>	<u>\$ 8,006,298</u>	<u>\$ 15,090,967</u>



<b>2017</b>		
<b>Salaries</b>	<b>Other</b>	<b>Total</b>
\$ 1,145,169	\$ 259,846	\$ 1,405,015
135,548	401,270	536,818
51,012	12,138	63,150
220,592	56,507	277,099
354,312	403,395	757,707
281,580	374,937	656,517
9,078	334,070	343,148
83,635	49,164	132,799
358,136	12,535	370,671
-	9,949	9,949
72,504	1,563	74,067
47,176	23,566	70,742
37,879	16,650	54,529
73,781	381,016	454,797
-	1,571,858	1,571,858
109,195	50,133	159,328
2,251,919	101,906	2,353,825
121,361	202,106	323,467
-	797,702	797,702
-	1,661,124	1,661,124
974,766	880,838	1,855,604
15,580	643	16,223
132,378	369,894	502,272
32,239	7,382	39,621
150,067	23,778	173,845
223,427	125,557	348,984
148,012	8,984	156,996
124,483	15,285	139,768
<u>\$ 7,153,829</u>	<u>\$ 8,153,796</u>	<u>\$ 15,307,625</u>

**Norton County Hospital**  
**A Component Unit of Norton County, Kansas**  
**Insurance Coverage**  
**June 30, 2018**

**Employers Mutual Casualty Company**

Policy No. 9B7-00-45-19, expiring April 1, 2019

Policy No. 9C7-00-45-19, expiring April 1, 2019

All risk of physical loss, replacement cost;

90% coinsurance:

Buildings – Hospital and Clinic	\$ 20,250,605
Contents – Hospital and Clinic	6,000,000
Accounts receivable	620,000

Commercial Inland Marine – Data processing:

Equipment 52,500

Business income other than rental value 1,000,000

Equipment breakdown 23,652,550

**Kansas Medical Mutual Insurance Company**

Policy No. HPL 0015180, expiring March 1, 2019

Hospital Professional Liability

Insurance company coverage:

Per claim	200,000
Annual aggregate	600,000

Kansas Health Care Stabilization Fund Coverage:

Per claim	800,000
Annual aggregate	2,400,000

General Liability

Bodily injury, property damage and personal injury:

Per accident or event	1,000,000
Annual aggregate	3,000,000

Mid-level Provider Professional Liability

Insurance company coverage:

Per claim	1,000,000
Aggregate	3,000,000

Employee benefit liability

Per claim	250,000
Aggregate	250,000

Policy No. MPL 11560, expiring January 1, 2019

Physician Professional Liability

Insurance company coverage:

Per claim	200,000
Aggregate	600,000

Kansas Health Care Stabilization Fund Coverage:

Per claim	800,000
Aggregate	2,400,000

**Norton County Hospital**  
**A Component Unit of Norton County, Kansas**  
**Insurance Coverage (Continued)**  
**June 30, 2018**

**The Medical Protective Company**

Policy No. 801879, expiring January 1, 2019

Physician Professional Liability

Per claim	\$ 200,000
Aggregate	600,000
Kansas Health Care Stabilization Fund Coverage:	
Per claim	800,000
Aggregate	2,400,000

**Cincinnati Insurance Company**

Policy No. EMH 0437374, expiring April 1, 2019

Directors and Officers' Liability/Employment Practices:

Each incident	1,000,000
Aggregate	1,000,000

**Kansas Hospital Association**

Policy No. 92, expiring January 1, 2019

Workers' compensation:

Per accident	500,000
Per employee disease	500,000
Policy limit	500,000

**Cincinnati Insurance Company**

Policy No. 0139309, expiring April 1, 2019

Comprehensive automobile liability:

Bodily injury and property damage (Employer's hired and non-hired auto liability)	1,000,000
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