

Norton County Hospital
A Component Unit of Norton County, Kansas
Independent Auditor's Report and Financial Statements
June 30, 2019 and 2018

Norton County Hospital
A Component Unit of Norton County, Kansas
June 30, 2019 and 2018

Contents

Independent Auditor’s Report1

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..... 38
Schedule of the Hospital’s Pension Contributions 39
Schedule of Changes in the Hospital’s Total OPEB Liability and Related Ratios..... 40

Supplementary Information

Net Patient Service Revenue 41
Contractual Allowances, Charity Care and Other Operating Revenues..... 42
Operating Expenses..... 43
Insurance Coverage 44

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, 2019 and 2018, 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, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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
October 16, 2019

Norton County Hospital
A Component Unit of Norton County, Kansas
Balance Sheets
June 30, 2019 and 2018

Assets and Deferred Outflows of Resources

	2019	2018
Current Assets		
Cash	\$ 2,041,215	\$ 2,920,668
Short-term certificates of deposit	2,551,533	2,452,336
Patient accounts receivable, net of allowance; 2019 - \$540,000, 2018 - \$674,000	2,152,973	2,530,216
Noncapital appropriations receivable	61,488	59,035
Estimated amounts due from third-party payers	680,431	64,000
Contract pharmacy receivable	159,063	172,577
Supplies	295,821	344,458
Prepaid expenses	175,667	182,883
Total current assets	8,118,191	8,726,173
 Noncurrent Certificates of Deposit and Investments		
Held by Norton Regional Health Foundation	241,672	168,745
Held by Norton Regional Health Foundation for specific operating activities	157,534	157,534
Restricted by donors for capital acquisitions and specific operating activities	94,455	154,931
	493,661	481,210
 Capital Assets, Net	4,178,485	4,591,921
 Other Assets	153,329	103,510
Total assets	12,943,666	13,902,814
 Deferred Outflows of Resources - Pension	1,254,977	1,619,196
Total assets and deferred outflows of resources	\$ 14,198,643	\$ 15,522,010

Liabilities, Deferred Inflows of Resources and Net Position

	<u>2019</u>	<u>2018</u>
Current Liabilities		
Current maturities of long-term debt	\$ 228,988	\$ 224,547
Accounts payable	254,280	280,894
Accrued expenses	783,278	784,482
Accrued self-insurance costs	-	56,000
Estimated amounts due to third-party payers	<u>138,277</u>	<u>242,635</u>
Total current liabilities	1,404,823	1,588,558
Long-term Debt	852,890	1,081,878
Net Pension Liability	5,245,124	5,570,456
Total Other Postemployment Benefits Liability	<u>75,379</u>	<u>81,376</u>
Total liabilities	<u>7,578,216</u>	<u>8,322,268</u>
Deferred Inflows of Resources		
Pension	265,964	233,349
Other postemployment benefits	<u>29,479</u>	<u>1,893</u>
Total deferred inflows of resources	<u>295,443</u>	<u>235,242</u>
Net Position		
Net investment in capital assets	3,096,607	3,285,496
Restricted - expendable for		
Capital acquisitions	94,455	152,431
Specific operating activities	157,534	160,034
Unrestricted	<u>2,976,388</u>	<u>3,366,539</u>
Total net position	<u>6,324,984</u>	<u>6,964,500</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 14,198,643</u>	<u>\$ 15,522,010</u>

Norton County Hospital
A Component Unit of Norton County, Kansas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2019 and 2018

	2019	2018
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2019 - \$184,086, 2018 - \$120,083	\$ 11,208,717	\$ 12,240,049
Contract pharmacy revenue	1,122,482	2,014,770
Other	161,403	185,363
Total operating revenues	12,492,602	14,440,182
Operating Expenses		
Salaries	5,969,098	7,084,669
Employee benefits	1,442,762	1,786,751
Purchased services and professional fees	2,634,946	1,952,288
Drugs	755,315	1,238,205
Medical and surgical supplies	438,015	369,232
Food	61,454	61,435
Utilities	256,309	280,931
Legal and accounting fees	163,434	142,909
Other supplies and expenses	1,505,264	1,517,317
Depreciation	593,664	657,230
Total operating expenses	13,820,261	15,090,967
Operating Loss	(1,327,659)	(650,785)
Nonoperating Revenues (Expenses)		
Noncapital appropriations - Norton County	172,453	166,173
Investment income	194,824	139,455
Interest expense	(44,210)	(48,604)
(Gain) loss on disposal of capital assets	750	(12,601)
Noncapital grants and gifts	364,326	67,303
Total nonoperating revenues (expenses)	688,143	311,726
Decrease in Net Position	(639,516)	(339,059)
Net Position, Beginning of Year	6,964,500	7,359,345
Change in Accounting Principle - GASB No. 75 (Notes 1 and 13)	-	(55,786)
Net Position, End of Year	\$ 6,324,984	\$ 6,964,500

Norton County Hospital
A Component Unit of Norton County, Kansas
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Operating Activities		
Receipts from and on behalf of patients	\$ 10,878,685	\$ 12,254,252
Payments to suppliers and contractors	(5,891,521)	(5,460,680)
Payments to employees	(7,319,973)	(8,822,987)
Other receipts, net	1,283,885	2,200,133
Net cash provided by (used in) operating activities	(1,048,924)	170,718
Noncapital Financing Activities		
Noncapital appropriations - Norton County	170,000	165,300
Noncapital grants and gifts	364,326	67,303
Net cash provided by noncapital financing activities	534,326	232,603
Capital and Related Financing Activities		
Principal paid on long-term debt	(224,547)	(220,163)
Interest paid on long-term debt	(44,006)	(48,408)
Purchase of capital assets	(179,478)	(319,277)
Net cash used in capital and related financing activities	(448,031)	(587,848)
Investing Activities		
Investment income received	194,824	139,455
Purchase of investments	(5,244,919)	(5,542,397)
Proceeds from disposition of investments	5,133,271	5,311,964
Net cash provided by (used in) investing activities	83,176	(90,978)
Decrease in Cash	(879,453)	(275,505)
Cash, Beginning of Year	2,920,668	3,196,173
Cash, End of Year	\$ 2,041,215	\$ 2,920,668

Norton County Hospital
A Component Unit of Norton County, Kansas
Statements of Cash Flows (Continued)
Years Ended June 30, 2019 and 2018

	2019	2018
Reconciliation of Operating Loss to Net		
Cash Provided by (Used in) Operating Activities		
Operating loss	\$ (1,327,659)	\$ (650,785)
Depreciation	593,664	657,230
Changes in operating assets and liabilities		
Patient accounts receivable, net	377,243	(764,034)
Estimated amounts due from and to third-party payers	(707,275)	778,237
Accounts payable and accrued expenses	9,069	96,358
Other assets	6,034	53,712
Net cash provided by (used in) operating activities	\$ (1,048,924)	\$ 170,718

Norton County Hospital
A Component Unit of Norton County, Kansas
Notes to Financial Statements
June 30, 2019 and 2018

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

Nature of Operations and Reporting Entity

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 2019 and 2018. 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, 2019 and 2018

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. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Prior to January 1, 2019, the Hospital was 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 were 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, 2019 and 2018

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

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. No asset impairment was recognized during the years ended June 30, 2019 and 2018.

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. 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, 2019 and 2018

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, 2019 and 2018

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

Norton County Hospital
A Component Unit of Norton County, Kansas
Notes to Financial Statements
June 30, 2019 and 2018

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.

Revisions

Fiscal year 2018 has been revised for an immaterial error in the presentation of purchases of investments in investing activities with the statement of cash flows. The previous balance was understated by \$157,534, which caused net cash for investing activity, decrease in cash and ending cash balance to all be overstated by \$157,534. These revisions had no impact to the balance sheet or statement of revenues, expenses and changes in net position.

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.

Norton County Hospital
A Component Unit of Norton County, Kansas
Notes to Financial Statements
June 30, 2019 and 2018

Due to certain financial and clinical criteria, the Hospital also receives Medicaid disproportionate share (DSH) funding. Medicaid DSH payments were \$385,623 and \$318,000 in 2019 and 2018, respectively.

Approximately 68% and 59% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended June 30, 2019 and 2018, 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, 2019 and 2018, respectively, none of the Hospital's bank balances of \$4,750,631 and \$5,618,739, were exposed to custodial credit risk. At June 30, 2019 and 2018, respectively, none of the Foundation's bank balances of \$111,399 and \$203,856 were exposed to custodial credit risk.

Norton County Hospital
A Component Unit of Norton County, Kansas
Notes to Financial Statements
June 30, 2019 and 2018

Summary of Carrying Values

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

	2019	2018
Carrying value		
Deposits	\$ 4,687,203	\$ 5,527,935
Included in the following balance sheet captions		
Cash	\$ 2,041,215	\$ 2,920,668
Short-term certificates of deposit	2,551,533	2,452,336
Noncurrent certificates of deposit	94,455	154,931
	\$ 4,687,203	\$ 5,527,935

Noncurrent Certificates of Deposit and 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. The Hospital has typically only invested excess cash in certificate of deposits.

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.

Norton County Hospital
A Component Unit of Norton County, Kansas
Notes to Financial Statements
June 30, 2019 and 2018

Noncurrent certificates of deposit and investments consist of the following at June 30, 2019 and 2018:

Type	Fair Value	June 30, 2019		
		Maturity in Years		
		Less than 1	1-5	6-10
Equity mutual funds	\$ 182,960	\$ 182,960	\$ -	\$ -
Fixed income funds	90,421	90,421	-	-
Money market mutual funds	9,449	9,449	-	-
		<u>\$ 282,830</u>	<u>\$ -</u>	<u>\$ -</u>
Corporate stocks	116,376			
Certificates of deposit	<u>94,455</u>			
	<u>\$ 493,661</u>			

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>			

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, 2019 and 2018, 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.

Norton County Hospital
A Component Unit of Norton County, Kansas
Notes to Financial Statements
June 30, 2019 and 2018

Investment Income

Investment income for the years ended June 30 consisted of:

	<u>2019</u>	<u>2018</u>
Interest income	\$ 176,832	\$ 124,920
Net increase in fair value of investments	<u>17,992</u>	<u>14,535</u>
	<u>\$ 194,824</u>	<u>\$ 139,455</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, 2019 and 2018, consisted of:

	<u>2019</u>	<u>2018</u>
Medicare	\$ 1,000,735	\$ 1,601,430
Medicaid	81,453	49,587
Other third-party payers	1,010,892	886,888
Patients	<u>599,893</u>	<u>666,311</u>
	2,692,973	3,204,216
Less allowance for uncollectible accounts	<u>(540,000)</u>	<u>(674,000)</u>
	<u>\$ 2,152,973</u>	<u>\$ 2,530,216</u>

Norton County Hospital
A Component Unit of Norton County, Kansas
Notes to Financial Statements
June 30, 2019 and 2018

Note 5: Capital Assets

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

	2019				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 157,482	\$ -	\$ -	\$ -	\$ 157,482
Land improvements	308,328	-	-	-	308,328
Buildings	10,039,304	52,000	-	68,000	10,159,304
Equipment	5,686,775	128,228	(75,581)	-	5,739,422
Construction in progress	68,000	-	-	(68,000)	-
	<u>16,259,889</u>	<u>180,228</u>	<u>(75,581)</u>	<u>-</u>	<u>16,364,536</u>
Less accumulated depreciation					
Land improvements	247,739	14,796	-	-	262,535
Buildings	6,603,356	336,950	-	-	6,940,306
Equipment	4,816,873	241,918	(75,581)	-	4,983,210
	<u>11,667,968</u>	<u>593,664</u>	<u>(75,581)</u>	<u>-</u>	<u>12,186,051</u>
Capital assets, net	<u>\$ 4,591,921</u>	<u>\$ (413,436)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,178,485</u>
	2018				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
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>

Norton County Hospital
A Component Unit of Norton County, Kansas
Notes to Financial Statements
June 30, 2019 and 2018

Note 6: Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses included in current liabilities at June 30, 2019 and 2018, consisted of:

	2019	2018
Payable to suppliers and contractors	\$ 254,280	\$ 280,894
Payable to employees (including payroll taxes and benefits)	782,120	783,120
Accrued interest payable	1,158	1,362
Accrued health and dental claims	-	56,000
	\$ 1,037,558	\$ 1,121,376

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. Prior to January 1, 2019, the Hospital was 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 was purchased for claims in excess of the aggregate annual amount. At June 30, 2018, a provision was accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual was estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. Remaining claims on this plan are expected to be minimal, but 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, 2019 and 2018

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

	2019	2018
Balance, beginning of year	\$ 56,000	\$ 52,000
Current year claims incurred and changes in estimates for claims incurred in prior years	505,548	710,709
Claims and expenses paid	(561,548)	(706,709)
Balance, end of year	\$ -	\$ 56,000

Note 9: Long-term Debt

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

	2019				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Revenue bonds payable (A)	\$ 373,631	\$ -	\$ 55,942	\$ 317,689	\$ 58,351
Revenue bonds payable (B)	932,794	-	168,605	764,189	170,637
Total long-term debt	\$1,306,425	\$ -	\$ 224,547	\$1,081,878	\$ 228,988
	2018				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
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

Norton County Hospital
A Component Unit of Norton County, Kansas
Notes to Financial Statements
June 30, 2019 and 2018

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. The Hospital was not in compliance with the debt-service coverage ratio at June 30, 2019.

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 made additional principal payments which has changed final maturity to 2029. 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 Hospital was not in compliance with the debt-service coverage ratio at June 30, 2019.

The revenue bond debt service requirements as of June 30, 2019, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
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	152,443	132,873	19,570
2025 - 2029	392,023	349,971	42,052
	<u>\$ 1,273,516</u>	<u>\$ 1,081,878</u>	<u>\$ 191,638</u>

Norton County Hospital
A Component Unit of Norton County, Kansas
Notes to Financial Statements
June 30, 2019 and 2018

Note 10: Restricted Net Position

At June 30, 2019 and 2018, restricted expendable net position was available for the following purposes:

	2019	2018
Capital acquisitions	\$ 94,455	\$ 152,431
Specific operating activities		
Nursing scholarships	157,534	160,034
Total restricted expendable net position	\$ 251,989	\$ 312,465

Note 11: Charity Care

The costs of charity care provided under the Hospital’s charity care policy were \$218,342 and \$115,809 for 2019 and 2018, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

Note 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.

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, 2019 and 2018

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 ten 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, 2019 and 2018, was 8.64% and 8.43% 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, 2019 and 2018, were \$491,875 and \$567,137, respectively.

Norton County Hospital
A Component Unit of Norton County, Kansas
Notes to Financial Statements
June 30, 2019 and 2018

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

At June 30, 2019 and 2018, the Hospital reported a liability of \$5,245,124 and \$5,570,456, 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 an actuarial valuation 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 0.376321%, which was a decrease of 0.008258% from its proportion measured as of June 30, 2017, of 0.384579%. At June 30, 2017, the proportion was 0.360536%.

For the years ended June 30, 2019 and 2018, the Hospital recognized pension expense of \$566,284 and \$686,781, respectively. At June 30, 2019 and 2018, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,937	\$ 148,623
Net difference between projected and actual earning on pension plan investments	122,700	-
Changes of assumptions	227,136	25,259
Changes in proportion and differences between the Hospital's contributions and proportionate share of contributions	394,329	92,082
Hospital's contributions subsequent to the measurement date	491,875	-
Total	\$ 1,254,977	\$ 265,964

Norton County Hospital
A Component Unit of Norton County, Kansas
Notes to Financial Statements
June 30, 2019 and 2018

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
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>

At June 30, 2019, the Hospital reported \$491,875 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2019, related to pensions will be recognized in pension expense as follows:

2020	\$ 310,328
2021	206,575
2022	(14,723)
2023	1,144
2024	(6,186)
	<u>\$ 497,138</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:

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

Norton County Hospital
A Component Unit of Norton County, Kansas
Notes to Financial Statements
June 30, 2019 and 2018

The mortality rates used in both the December 31, 2017 and 2016, valuations were based on the RP-2014 Healthy Annuitant Table, with age setbacks and age set forwards as well as other adjustments for mortality improvements based on Scale MP-2016.

The actuarial assumptions used in both 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.

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%
	<u>100%</u>		<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.75% for the years ended June 30, 2018 and 2017. 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.

Norton County Hospital
A Component Unit of Norton County, Kansas
Notes to Financial Statements
June 30, 2019 and 2018

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.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Hospital's proportionate share of the net pension liability (2019)	\$ 7,692,740	\$ 5,245,124	\$ 3,176,668

Pension Plan Fiduciary Net Position

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

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

Norton County Hospital
A Component Unit of Norton County, Kansas
Notes to Financial Statements
June 30, 2019 and 2018

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	120	123
Disabled employees	-	-
	120	123

Total OPEB Liability

The Hospital's total OPEB liability of \$ 75,379 and \$81,376 was measured as of June 30, 2018 and 2017, for the years ended June 30, 2019 and 2018, respectively, and was determined by actuarial valuations as of December 31, 2017 and 2016, respectively, rolled forward to June 30, 2018 and 2017, respectively.

The total OPEB 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:

	2018	2017
Inflation	2.75%	2.75%
Discount rate	3.87%	3.58%
Salary increases, including inflation	3.5% to 10%	3.5% to 10%

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

Norton County Hospital
A Component Unit of Norton County, Kansas
Notes to Financial Statements
June 30, 2019 and 2018

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 June 30, 2018 and 2017, valuations were based on the results of an actuarial experience study for 2014-2016.

Changes in the Total OPEB Liability

Changes in the total OPEB liability are:

	2019	2018
Balance, beginning of year	\$ 81,376	\$ 55,786
Changes for the year:		
Service cost	21,330	25,387
Interest on total OPEB liability	3,677	2,314
Differences between expected and actual experience	(29,980)	-
Change of assumptions or other inputs	(1,024)	(2,111)
Net changes	(5,997)	25,590
Balance, end of year	\$ 75,379	\$ 81,376

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, at June 30, 2019, 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 current discount rate.

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Hospital's total OPEB Liability	\$ 78,720	\$ 75,379	\$ 71,757

Norton County Hospital
A Component Unit of Norton County, Kansas
Notes to Financial Statements
June 30, 2019 and 2018

The total OPEB liability of the Hospital, at June 30, 2018, 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 years ended June 30, 2019 and 2018, the Hospital recognized OPEB expense of \$21,589 and \$27,483, respectively. At June 30, 2019 and 2018, the Hospital reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 26,886
Changes of assumptions	-	2,593
Hospital's contributions subsequent to the measurement date	-	-
Total	\$ -	\$ 29,479
	2018	
	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, 2019 and 2018

Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2019, related to OPEB will be recognized in OPEB expense as follows:

2020	\$ (3,418)
2021	(3,418)
2022	(3,418)
2023	(3,418)
2024	(3,418)
Thereafter	<u>(12,389)</u>
	<u>\$ (29,479)</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, 2019 and 2018

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, 2019 and 2018:

2019	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)
Investments by fair value level				
Corporate Stock - domestic	\$ 116,376	\$ 116,376	\$ -	\$ -
Mutual funds				
Equities - domestic	182,960	182,960	-	-
Fixed income	90,421	90,421	-	-
Money Market	9,449	9,449		
	<u>\$ 399,206</u>	<u>\$ 399,206</u>	<u>\$ -</u>	<u>\$ -</u>

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)
Investments by fair value level				
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>

Norton County Hospital
A Component Unit of Norton County, Kansas
Notes to Financial Statements
June 30, 2019 and 2018

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, 2019 and 2018

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, 2019 and 2018:

	June 30, 2019		
	Hospital	Foundation	Total
Assets			
Current assets	\$ 8,013,841	\$ 104,350	\$ 8,118,191
Capital assets, net	4,178,485	-	4,178,485
Other assets	247,784	399,206	646,990
Total assets	<u>12,440,110</u>	<u>503,556</u>	<u>12,943,666</u>
Deferred Outflows of Resources	<u>1,254,977</u>	<u>-</u>	<u>1,254,977</u>
Total assets and deferred outflows of resources	<u>\$ 13,695,087</u>	<u>\$ 503,556</u>	<u>\$ 14,198,643</u>
Liabilities			
Current liabilities	\$ 1,404,823	\$ -	\$ 1,404,823
Noncurrent liabilities	6,173,393	-	6,173,393
Total liabilities	<u>7,578,216</u>	<u>-</u>	<u>7,578,216</u>
Deferred Inflows of Resources	<u>295,443</u>	<u>-</u>	<u>295,443</u>
Net Position			
Net investments in capital assets	3,096,607	-	3,096,607
Restricted expendable	94,455	157,534	251,989
Unrestricted	2,630,366	346,022	2,976,388
Total net position	<u>5,821,428</u>	<u>503,556</u>	<u>6,324,984</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 13,695,087</u>	<u>\$ 503,556</u>	<u>\$ 14,198,643</u>

Norton County Hospital
A Component Unit of Norton County, Kansas
Notes to Financial Statements
June 30, 2019 and 2018

	June 30, 2018		
	Hospital	Foundation	Total
Assets			
Current assets	\$ 8,522,317	\$ 203,856	\$ 8,726,173
Capital assets, net	4,591,921	-	4,591,921
Other assets	258,441	326,279	584,720
Total assets	13,372,679	530,135	13,902,814
Deferred Outflows of Resources	1,619,196	-	1,619,196
Total assets and deferred outflows of resources	<u>\$ 14,991,875</u>	<u>\$ 530,135</u>	<u>\$ 15,522,010</u>
Liabilities			
Current liabilities	\$ 1,588,558	\$ -	\$ 1,588,558
Noncurrent liabilities	6,733,710	-	6,733,710
Total liabilities	8,322,268	-	8,322,268
Deferred Inflows of Resources	235,242	-	235,242
Net Position			
Net investments in capital assets	3,285,496	-	3,285,496
Restricted expendable	154,931	157,534	312,465
Unrestricted	2,993,938	372,601	3,366,539
Total net position	6,434,365	530,135	6,964,500
Total liabilities, deferred inflows of resources and net position	<u>\$ 14,991,875</u>	<u>\$ 530,135</u>	<u>\$ 15,522,010</u>

Norton County Hospital
A Component Unit of Norton County, Kansas
Notes to Financial Statements
June 30, 2019 and 2018

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, 2019 and 2018:

	June 30, 2019		
	Hospital	Foundation	Total
Operating Revenues	\$ 12,492,602	\$ -	\$ 12,492,602
Operating Expenses			
Salaries	5,969,098	-	5,969,098
Employee benefits	1,442,762	-	1,442,762
Supplies and other	5,741,506	73,231	5,814,737
Depreciation	593,664	-	593,664
	<u>13,747,030</u>	<u>73,231</u>	<u>13,820,261</u>
Operating Loss	<u>(1,254,428)</u>	<u>(73,231)</u>	<u>(1,327,659)</u>
Nonoperating Revenues (Expenses)			
Noncapital appropriations - Norton County	172,453	-	172,453
Investment income	165,519	29,305	194,824
Interest expense	(44,210)	-	(44,210)
Gain disposal of capital assets	750	-	750
Noncapital grants and gifts	346,979	17,347	364,326
	<u>641,491</u>	<u>46,652</u>	<u>688,143</u>
Excess (Deficiency) of Revenues Over Expenses Before Transfers	<u>(612,937)</u>	<u>(26,579)</u>	<u>(639,516)</u>
Increase (Decrease) in Net Position	(612,937)	(26,579)	(639,516)
Net Position, Beginning of Year	<u>6,434,365</u>	<u>530,135</u>	<u>6,964,500</u>
Net Position, End of Year	<u>\$ 5,821,428</u>	<u>\$ 503,556</u>	<u>\$ 6,324,984</u>

Norton County Hospital
A Component Unit of Norton County, Kansas
Notes to Financial Statements
June 30, 2019 and 2018

	June 30, 2018		
	Hospital	Foundation	Total
Operating Revenues	\$ 14,440,182	\$ -	\$ 14,440,182
Operating Expenses			
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
Operating Expenses	<u>15,057,716</u>	<u>33,251</u>	<u>15,090,967</u>
Operating Loss	<u>(617,534)</u>	<u>(33,251)</u>	<u>(650,785)</u>
Nonoperating Revenues (Expenses)			
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>
Excess (Deficiency) of Revenues Over Expenses Before Capital Grants and Gifts	(360,437)	21,378	(339,059)
Transfers	<u>(157,534)</u>	<u>157,534</u>	<u>-</u>
Increase (Decrease) in Net Position	(517,971)	178,912	(339,059)
Net Position, Beginning of Year	7,008,122	351,223	7,359,345
Change in Accounting Principle - GASB No. 75	<u>(55,786)</u>	<u>-</u>	<u>(55,786)</u>
Net Position, End of Year	<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, 2019 and 2018

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, 2019 and 2018:

	June 30, 2019		
	Hospital	Foundation	Total
Net Cash Provided by Operating Activities	\$ (1,048,924)	\$ -	\$ (1,048,924)
Net Cash Provided by Noncapital Financing Activities	516,979	17,347	534,326
Net Cash Used in Capital and Related Financing Activities	(448,031)	-	(448,031)
Net Cash Provided by (Used in) Investing Activities	<u>53,871</u>	<u>29,305</u>	<u>83,176</u>
Increase (Decrease) in Cash	(926,105)	46,652	(879,453)
Cash, Beginning of Year	<u>2,512,078</u>	<u>408,590</u>	<u>2,920,668</u>
Cash, End of Year	<u><u>\$ 1,585,973</u></u>	<u><u>\$ 455,242</u></u>	<u><u>\$ 2,041,215</u></u>

	June 30, 2018		
	Hospital	Foundation	Total
Net Cash Used in Operating Activities	\$ 170,718	\$ -	\$ 170,718
Net Cash Provided by Noncapital Financing Activities	204,503	28,100	232,603
Net Cash Used in Capital and Related Financing Activities	(587,848)	-	(587,848)
Net Cash Provided by Investing Activities	<u>(117,507)</u>	<u>26,529</u>	<u>(90,978)</u>
Increase (Decrease) in Cash	(330,134)	54,629	(275,505)
Cash, Beginning of Year	<u>2,842,212</u>	<u>353,961</u>	<u>3,196,173</u>
Cash, End of Year	<u><u>\$ 2,512,078</u></u>	<u><u>\$ 408,590</u></u>	<u><u>\$ 2,920,668</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>2019 *</u>	<u>2018 *</u>	<u>2017 *</u>	<u>2016 *</u>	<u>2015 *</u>
Hospital's proportion of the net pension liability	0.376321%	0.384579%	0.360536%	0.341698%	0.332467%
Hospital's proportionate share of the net pension liability	\$ 5,245,124	\$ 5,570,456	\$ 5,577,598	\$ 4,486,645	\$ 4,092,047
Hospital's covered-employee payroll	\$ 5,704,080	\$ 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	91.95%	81.74%	90.37%	78.80%	75.24%
Plan fiduciary net position as a percentage of the total pension liability	68.88%	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>2019 *</u>	<u>2018 *</u>	<u>2017 *</u>	<u>2016 *</u>	<u>2015 *</u>
Contractually required contribution	\$ 491,875	\$ 567,137	\$ 600,418	\$ 575,559	\$ 515,352
Contribution in relation to the contractually required contribution	<u>491,875</u>	<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>	<u>\$ -</u>
Hospital's covered-employee payroll	\$ 5,704,080	\$ 6,737,285	\$ 6,814,466	\$ 6,172,082	\$ 5,693,377
Contributions as a percentage of covered-employee payroll	8.62%	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

	<u>2019 *</u>	<u>2018 *</u>
Total OPEB Liability		
Service cost	\$ 21,330	\$ 25,387
Interest on total OPEB liability	3,677	2,314
Difference between expected and actual experience	(29,980)	-
Change of assumptions or other inputs	<u>(1,024)</u>	<u>(2,111)</u>
Net Change in Total OPEB Liability	(5,997)	25,590
Hospital's Total OPEB Liability - Beginning	<u>81,376</u>	<u>55,786</u>
Hospital's Total OPEB Liability - Ending	<u><u>\$ 75,379</u></u>	<u><u>\$ 81,376</u></u>
Hospital's Covered-Employee Payroll	\$ 6,277,889	\$ 6,625,913
Hospital's Total OPEB Liability as a percentage of covered-employee payroll	1.20%	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% for 2016 to 3.58 % for 2017 and to 3.87% for 2018.

*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, 2019 and 2018

	2019		
	Inpatient	Outpatient	Total
Nursing, dietary and room services			
Acute hospital	\$ 505,226	\$ -	\$ 505,226
Swing-beds	536,045	-	536,045
Observation	1,820	276,493	278,313
Nursery	10,422	-	10,422
Operating room	1,746	531,104	532,850
Delivery room	4,362	-	4,362
Anesthesia	1,581	145,679	147,260
Radiology	75,536	2,782,428	2,857,964
Laboratory	150,384	2,294,440	2,444,824
Respiratory therapy	150,380	323,539	473,919
Physical therapy	112,031	821,092	933,123
Speech therapy	3,412	14,146	17,558
Occupational therapy	53,035	56,112	109,147
Electrocardiology	3,536	266,220	269,756
Central supply	38,068	310,624	348,692
Pharmacy	253,061	2,998,577	3,251,638
Outpatient clinics	43,821	277,838	321,659
Lifeline	-	21,138	21,138
Rural health clinic	-	1,850,344	1,850,344
Emergency room	135,743	2,408,195	2,543,938
	<u>\$ 2,080,209</u>	<u>\$ 15,377,969</u>	17,458,178
Provision for uncollectible accounts			184,086
Less contractual allowances and charity care			<u>6,065,375</u>
Net patient service revenue			<u>\$ 11,208,717</u>

2018		
Inpatient	Outpatient	Total
\$ 862,951	\$ -	\$ 862,951
607,730	-	607,730
9,947	292,725	302,672
65,883	-	65,883
30,606	667,167	697,773
64,807	1,640	66,447
87,314	183,564	270,878
102,478	2,372,727	2,475,205
191,567	1,926,584	2,118,151
65,038	165,057	230,095
156,395	883,579	1,039,974
4,381	15,360	19,741
85,353	69,514	154,867
8,960	275,768	284,728
103,407	310,690	414,097
271,151	3,399,382	3,670,533
57,192	229,475	286,667
-	24,364	24,364
-	1,716,280	1,716,280
275,951	1,647,928	1,923,879
\$ 3,051,111	\$ 14,181,804	17,232,915
		120,083
		4,872,783
		\$ 12,240,049

Norton County Hospital
A Component Unit of Norton County, Kansas
Contractual Allowances, Charity Care and Other Operating Revenues
Years Ended June 30, 2019 and 2018

Contractual Allowances and Charity Care

	<u>2019</u>	<u>2018</u>
Charity care	\$ 261,506	\$ 140,177
Contractual allowances		
Medicare	2,617,703	2,018,954
Medicaid	333,004	396,827
Blue Cross	2,042,213	1,805,009
Other	727,465	452,117
Employee discounts	<u>83,484</u>	<u>59,699</u>
	<u>\$ 6,065,375</u>	<u>\$ 4,872,783</u>

Other Operating Revenues

	<u>2019</u>	<u>2018</u>
Cafeteria sales	\$ 52,102	\$ 56,080
Rent	6,271	30,085
Medical records transcript fees	2,015	5,016
Mobile ultrasound	81,212	79,043
Medical supplies	7,506	14
Miscellaneous	<u>12,297</u>	<u>15,125</u>
	<u>\$ 161,403</u>	<u>\$ 185,363</u>

Norton County Hospital
A Component Unit of Norton County, Kansas
Operating Expenses
Years Ended June 30, 2019 and 2018

	2019		
	Salaries	Other	Total
Nursing services	\$ 1,068,727	\$ 169,192	\$ 1,237,919
Operating room and recovery room	69,100	259,588	328,688
Delivery room	6,934	7,195	14,129
Anesthesia	220,592	19,968	240,560
Radiology	432,999	398,187	831,186
Laboratory	278,255	408,168	686,423
Chemotherapy	61,875	7,943	69,818
Respiratory therapy	63,063	37,706	100,769
Physical therapy	338,799	10,166	348,965
Speech therapy	-	6,519	6,519
Occupational therapy	52,642	2,052	54,694
Electrocardiology	53,144	34,783	87,927
Central supply	33,772	15,306	49,078
Pharmacy	16,580	650,356	666,936
Contract pharmacy	-	655,522	655,522
Outpatient clinics	112,536	4,960	117,496
Doctors' building clinic	1,602,420	274,194	1,876,614
Emergency room	21,718	1,089,129	1,110,847
Depreciation	-	593,664	593,664
Employee benefits	-	1,442,762	1,442,762
Administration and general	779,192	1,247,229	2,026,421
Social services	13,880	-	13,880
Plant operation	101,252	367,161	468,413
Laundry and linen	30,028	5,783	35,811
Housekeeping	138,763	22,116	160,879
Dietary	211,936	83,417	295,353
Nursing administration	149,691	12,365	162,056
Medical records	111,200	25,732	136,932
	<u>\$ 5,969,098</u>	<u>\$ 7,851,163</u>	<u>\$ 13,820,261</u>

2018		
Salaries	Other	Total
\$ 1,229,859	\$ 174,324	\$ 1,404,183
92,510	343,018	435,528
78,027	16,167	94,194
220,592	46,331	266,923
411,907	414,895	826,802
263,848	354,581	618,429
25,711	37,788	63,499
76,267	42,323	118,590
439,949	16,380	456,329
-	15,036	15,036
70,188	2,569	72,757
51,219	20,998	72,217
35,817	47,186	83,003
41,332	760,681	802,013
-	1,492,768	1,492,768
100,978	6,420	107,398
2,155,294	87,562	2,242,856
131,980	197,069	329,049
-	657,230	657,230
-	1,786,751	1,786,751
837,100	1,021,393	1,858,493
24,769	219	24,988
129,469	342,366	471,835
30,678	4,122	34,800
142,799	15,472	158,271
214,918	77,146	292,064
155,251	14,285	169,536
124,207	11,218	135,425
<u>\$ 7,084,669</u>	<u>\$ 8,006,298</u>	<u>\$ 15,090,967</u>

Norton County Hospital
A Component Unit of Norton County, Kansas
Insurance Coverage
June 30, 2019

Employers Mutual Casualty Company

Policy No. 9B7-00-45-20, expiring April 1, 2020

Policy No. 9C7-00-45-20, expiring April 1, 2020

All risk of physical loss, replacement cost;

90% coinsurance:

Buildings – Hospital and Clinic	\$ 20,895,450
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	22,050,366
---------------------	------------

Kansas Medical Mutual Insurance Company

Policy No. HPL 0015180, expiring March 1, 2020

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, 2020

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, 2019

Cincinnati Insurance Company

Policy No. EMH 0437374, expiring April 1, 2020

Directors and Officers' Liability/Employment Practices:

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

Kansas Hospital Association

Policy No. 92, expiring January 1, 220

Workers' compensation:

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

Cincinnati Insurance Company

Policy No. 0139309, expiring April 1, 2020

Comprehensive automobile liability:

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