Gove County Medical Center
A Component Unit of Gove County, Kansas

Independent Auditor's Report and Financial Statements

December 31, 2021 and 2020

Gove County Medical Center
A Component Unit of Gove County, Kansas
December 31, 2021 and 2020

Contents

Independent Auditor's Report..... 1

Financial Statements

Balance Sheets..... 4

Statements of Revenues, Expenses and Changes in Net Position..... 5

Statements of Cash Flows..... 6

Notes to Financial Statements..... 8

Required Supplementary Information

Schedule of the Hospital's Proportionate Share of the Net Pension Liability..... 32

Schedule of the Hospital's Pension Contributions..... 33

Schedule of Changes in the Hospital's Total OPEB Liability and Related Ratios..... 34

Supplementary Information

Net Patient Service Revenue..... 35

Contractual Adjustments, Charity Care and Other Operating Revenues..... 36

Operating Expenses..... 37

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Independent Auditor's Report

Board of Trustees
Gove County Medical Center
Quinter, Kansas

Opinion

We have audited the accompanying financial statements of Gove County Medical Center, a component unit of Gove County, Kansas, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise Gove County Medical Center's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Gove County Medical Center as of December 31, 2021 and 2020, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of Gove County Medical Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Gove County Medical Center's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Gove County Medical Center's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Gove County Medical Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the 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 basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit 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
April 22, 2022

Gove County Medical Center
A Component Unit of Gove County, Kansas
Balance Sheets
December 31, 2021 and 2020

Assets and Deferred Outflows of Resources

	2021	2020
Current Assets		
Cash	$ 8,131,473	$ 9,193,545
Patient accounts receivable, net of allowance;		
2021 - $119,000, 2020 - $201,000	3,444,546	2,376,409
Estimated amounts due from third-party payers	-	630,000
Supplies	407,936	415,015
Prepaid expenses and other	143,152	114,861
Sales taxes receivable	61,849	229,262
Total current assets	12,188,956	12,959,092
Capital Assets, Net	5,340,716	5,701,399
Other Assets	876,724	716,798
Total assets	18,406,396	19,377,289
Deferred Outflows of Resources		
Pension	2,506,150	2,000,127
Other postemployment benefits	6,121	6,752
Total deferred outflows of resources	2,512,271	2,006,879
Total assets and deferred outflows of resources	$ 20,918,667	$ 21,384,168

See Notes to Financial Statements

Liabilities, Deferred Inflows of Resources and Net Position

	2021	2020
Current Liabilities		
Current maturities of long-term debt	$ 232,980	$ 251,505
Accounts payable	445,835	326,739
Accrued expenses	573,364	691,054
Accrued vacation pay	460,144	671,397
Estimated amounts due to third-party payers	360,000	-
Unearned revenue	463,817	93,242
Advance from Medicare	1,379,993	712,483
Total current liabilities	3,916,133	2,746,420
Advance from Medicare	-	1,802,160
Long-term Debt	880,845	1,113,826
Net Pension Liability	4,976,998	6,173,212
Total Other Postemployment Benefits Liability	117,209	95,470
Total liabilities	9,891,185	11,931,088
Deferred Inflows of Resources		
Pension	1,815,582	101,598
Other postemployment benefits	97,489	106,412
Total deferred inflows of resources	1,913,071	208,010
Net Position		
Net investment in capital assets	4,226,891	4,336,068
Unrestricted	4,887,520	4,909,002
Total net position	9,114,411	9,245,070
Total liabilities, deferred inflows of resources and net position	$ 20,918,667	$ 21,384,168

Gove County Medical Center
A Component Unit of Gove County, Kansas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2021 and 2020

	2021	2020
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2021 - $213,277, 2020 - $155,705	$ 15,638,951	$ 13,998,274
Other	380,259	388,783
Total operating revenues	16,019,210	14,387,057
Operating Expenses		
Salaries and wages	7,798,821	8,279,897
Employee benefits	3,590,727	3,262,203
Purchased services and professional fees	3,339,788	2,514,498
Drugs	456,034	368,611
Medical and surgical supplies	361,424	260,987
Utilities	264,135	248,709
Repairs and maintenance	282,425	295,499
Supplies and other	1,398,526	1,560,257
Depreciation	831,705	840,064
Total operating expenses	18,323,585	17,630,725
Operating Loss	(2,304,375)	(3,243,668)
Nonoperating Revenues (Expenses)		
Noncapital appropriations - Gove County	1,219,587	1,343,311
Sales tax revenue	504,000	601,492
Interest income	28,544	37,812
Interest expense	(45,677)	(56,267)
Paycheck Protection Program (PPP) loan forgiveness	-	1,864,300
Provider Relief Funds (*CARES Act*)	-	3,987,115
Noncapital grants and gifts	467,262	344,440
Total nonoperating revenues	2,173,716	8,122,203
Increase (Decrease) in Net Position	(130,659)	4,878,535
Net Position, Beginning of Year	9,245,070	4,366,535
Net Position, End of Year	$ 9,114,411	$ 9,245,070

Gove County Medical Center
A Component Unit of Gove County, Kansas
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities		
Receipts from and on behalf of patients	$ 14,426,164	$ 15,698,163
Payments to suppliers and contractors	(6,164,374)	(5,782,374)
Payments to employees	(11,693,297)	(11,122,623)
Other receipts, net	750,834	482,025
Net cash used in operating activities	(2,680,673)	(724,809)
Cash Flows From Noncapital Financing Activities		
Noncapital appropriations - Gove County	1,219,587	1,343,311
Sales tax revenue	671,413	503,181
Proceeds from issuance of PPP loan	-	1,864,300
Provider Relief Funds (*CARES Act*)	-	3,987,115
Noncapital grants and gifts	467,262	344,440
Net cash provided by noncapital financing activities	2,358,262	8,042,347
Cash Flows From Capital and Related Financing Activities		
Principal paid on long-term debt	(251,506)	(278,973)
Interest paid on long-term debt	(45,677)	(56,267)
Purchase of capital assets	(471,022)	(821,895)
Net cash used in capital and related financing activities	(768,205)	(1,157,135)
Cash Flows From Investing Activities		
Interest income	28,544	37,812
Net cash provided by investing activities	28,544	37,812
Increase (Decrease) in Cash	(1,062,072)	6,198,215
Cash, Beginning of Year	9,193,545	2,995,330
Cash, End of Year	$ 8,131,473	$ 9,193,545

Gove County Medical Center
A Component Unit of Gove County, Kansas
Statements of Cash Flows (Continued)
Years Ended December 31, 2021 and 2020

	2021	2020
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (2,304,375)	$ (3,243,668)
Depreciation	831,705	840,064
Changes in operating assets and liabilities		
Patient accounts receivable, net	(1,068,137)	(414,754)
Estimated amounts due from and to third-party payers	990,000	(400,000)
Accounts payable and accrued expenses	(209,847)	188,263
Unearned revenue	370,575	93,242
Advance from Medicare	(1,134,650)	2,514,643
Net pension liability	(1,196,214)	1,555,483
Total other postemployment benefits liability	21,739	(62,823)
Deferred outflows of resources - pension and OPEB	(505,392)	(1,223,375)
Deferred inflows of resources - pension and OPEB	1,705,061	(30,550)
Other assets and liabilities	(181,138)	(541,334)
Net cash used in operating activities	$ (2,680,673)	$ (724,809)
Noncash Investing, Capital and Financing Activities		
PPP loan forgiveness	$ -	$ 1,864,300

Gove County Medical Center
A Component Unit of Gove County, Kansas
Notes to Financial Statements
December 31, 2021 and 2020

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

Nature of Operations and Reporting Entity

Gove County Medical Center (Hospital) is an acute care hospital located in Quinter, Kansas. The Hospital is a component unit of Gove 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, long-term care and emergency care services to patients in the Gove 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, sales taxes, interest 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, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2021 and 2020, there were no cash equivalents.

Noncapital Appropriations – Gove County and Sales Tax Revenue

The Hospital received approximately 10% and 9% of its financial support from the proceeds of noncapital appropriations from Gove County and sales taxes in 2021 and 2020, respectively. One hundred percent of these funds were used to support operations in both years.

Property taxes are levied by the County and shared with the Hospital for hospital operational purposes. Taxes are assessed by the County in November and are received beginning in January of each year. Noncapital appropriations revenue is recognized in full in the year in which use is first permitted.

Sales tax revenue is recognized based on sales tax collected by the County's retailers in the Hospital's accounting period. The Hospital sales tax is 1% and is currently set to expire in 2025.

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; workers' compensation; 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.

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.

Supplies

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

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 obligation are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Hospital:

Land improvements	8 – 20 years
Buildings and building improvements	5 – 40 years
Fixed equipment	5 – 20 years
Major moveable equipment	4 – 20 years

Capital Asset Impairment

The Hospital evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment loss. No asset impairment was recognized during the years ended December 31, 2021 and 2020.

Other Assets

The Hospital has entered into income guarantee arrangements with two physicians. Under the agreements, the Hospital has a maximum payment obligation of $16,667 per month per physician for a 24-month period from September 1, 2019 through August 31, 2021. If the physicians maintain a full-time medical practice in Gove County for three years following the end of the income guarantee period, the amounts advanced will be forgiven on a pro-rata basis. If the physicians do not maintain a primary medical practice in Gove County for the required time period, any amounts not previously forgiven become immediately due and payable to the hospital.

Deferred Outflows of Resources

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

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. 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.

Paycheck Protection Program (PPP) Loan

The Hospital received a PPP loan established by the *Coronavirus Aid, Relief and Economic Security ACT (CARES Act)* and has accounted for the funding as debt in accordance with GASB 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan is recognized as nonoperating revenue in the financial statements in the period the debt is legally forgiven. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration (SBA), or lender; as a result of such audit, adjustment could be required to any revenue recognized. The Hospital received legal notice on November 23, 2020, that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment as nonoperating revenue in the accompanying statements of revenues, expenses and changes in net position.

Cost-Sharing Defined Benefit Pension Plan

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

Defined Benefit Other Postemployment Benefit Plan

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

Deferred Inflows of Resources

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

Net Position

Net position of the Hospital is classified in two components on its balance sheets.

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

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.

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.

Provider Relief Funds (CARES Act)

On March 27, 2020, the *CARES Act* was signed into law as part of the government's response to the spread of the SARS-CoV-2 virus and the incidence of COVID-19. The *CARES Act* contained provisions for certain healthcare providers to receive Provider Relief Funds (PRF) from the U.S. Department of Health and Human Services (HHS). The distributions from the Provider Relief Funds are not subject to repayment, provided the Hospital is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by HHS. The Hospital is accounting for such payments as voluntary nonexchange transactions. Payments are recognized as revenue once the applicable terms and conditions required to retain the funds have been met and are classified as nonoperating revenue in the accompanying statements of revenues, expenses and changes in net position. The unrecognized amount of Provider Relief Fund distributions, if any, is recorded as unearned revenue in the accompanying balance sheets.

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.

Note 2: Deposits

Deposits

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

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

At December 31, 2021 and 2020, $7,752,235 and $9,795,510 of the Hospital's bank balances of $8,212,706 and $9,390,386, respectively, were exposed to custodial credit risk as follows:

	2021	2020
Uninsured and collateral held by pledging financial institution's trust department or agent in other than the Hospital's name	$ 7,752,235	$ 8,795,510

Summary of Carrying Values

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

	2021	2020
Carrying value		
Deposits	$ 8,131,173	$ 9,193,245
Cash on hand	300	300
	$ 8,131,473	$ 9,193,545
Included in the following balance sheet captions		
Cash	$ 8,131,473	$ 9,193,545

Note 3: Patient Accounts Receivable

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

	2021	2020
Medicare	$ 1,610,882	$ 1,387,982
Medicaid	64,902	93,381
Blue Cross	794,728	425,468
Other third-party payers	474,388	354,468
Patients	618,646	316,110
	3,563,546	2,577,409
Less allowance for uncollectible accounts	119,000	201,000
	$ 3,444,546	$ 2,376,409

Note 4: Capital Assets

Capital assets activity for the years ended December 31 was:

	2021				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 153,039	$ 67,557	$ -	$ -	$ 220,596
Land improvements	136,374	-	(38,680)	-	97,694
Buildings and leasehold improvements	7,920,282	75,611	(693,822)	-	7,302,071
Fixed equipment	4,309,068	-	(105,742)	-	4,203,326
Major moveable equipment	4,963,354	200,861	(118,526)	-	5,045,689
Construction in progress	-	126,993	-	-	126,993
	17,482,117	471,022	(956,770)	-	16,996,369
Less accumulated depreciation					
Land improvements	127,805	2,828	(38,680)	-	91,953
Buildings and leasehold improvements	5,936,296	227,192	(693,822)	-	5,469,666
Fixed equipment	1,990,280	268,001	(105,742)	-	2,152,539
Major moveable equipment	3,726,337	333,684	(118,526)	-	3,941,495
	11,780,718	831,705	(956,770)	-	11,655,653
Capital Assets, Net	$ 5,701,399	$ (360,683)	$ -	$ -	$ 5,340,716

	2020				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 153,039	$ -	$ -	$ -	$ 153,039
Land improvements	136,374	-	-	-	136,374
Buildings and leasehold improvements	7,791,729	130,746	(2,193)	-	7,920,282
Fixed equipment	4,362,698	-	(53,630)	-	4,309,068
Major moveable equipment	4,641,005	691,149	(368,800)	-	4,963,354
	17,084,845	821,895	(424,623)	-	17,482,117
Less accumulated depreciation					
Land improvements	124,260	3,545	-	-	127,805
Buildings and leasehold improvements	5,717,481	221,008	(2,193)	-	5,936,296
Fixed equipment	1,770,914	272,996	(53,630)	-	1,990,280
Major moveable equipment	3,752,622	342,515	(368,800)	-	3,726,337
	11,365,277	840,064	(424,623)	-	11,780,718
Capital Assets, Net	$ 5,719,568	$ (18,169)	$ -	$ -	$ 5,701,399

Note 5: Long-term Debt

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

	2021				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Note payable – County – 2016	$ 166,965	$ -	$ 27,828	$ 139,137	$ 27,828
Capital lease obligations	1,198,366	-	223,678	974,688	205,152
Total long-term debt	$ 1,365,331	$ -	$ 251,506	$ 1,113,825	$ 232,980

	2020				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Note payable – County – 2016	$ 194,792	$ -	$ 27,827	$ 166,965	$ 27,827
PPP loan	-	1,864,300	1,864,300	-	-
Capital lease obligations	1,449,512	-	251,146	1,198,366	223,678
Total long-term debt	$ 1,644,304	$ 1,864,300	$ 2,143,273	$ 1,365,331	$ 251,505

Note Payable – County – 2016

The note payable – County – 2016 consists of an agreement with the County to repay on its behalf revenue bonds in the original amount of $278,275 dated March 21, 2016. These bonds were purchased in their entirety by Western Cooperative Electric at their par value with no interest due on these bonds pursuant to a Rural Economic Development Loan and Grant Program. The proceeds from this loan were used to complete a renovation of the HVAC system at the Hospital. The bonds are payable in annual installments through March 30, 2026. The Hospital is required to make annual payments of $27,828 to the debt service fund held by the trustee.

The debt service requirements as of December 31, 2021, are as follows:

	Total to be Paid	Principal	Interest
Year Ending December 31,			
2022	$ 27,827	$ 27,827	$ -
2023	27,827	27,827	-
2024	27,827	27,827	-
2025	27,828	27,828	-
2026	27,828	27,828	-
	$ 139,137	$ 139,137	$ -

Paycheck Protection Program (PPP) Loan

The *CARES Act* and other subsequent legislation provides an SBA loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. The Hospital received a PPP loan of $1,864,300 in 2020. The Hospital received legal notice on November 23, 2020, that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment as other nonoperating revenue in the accompanying statements of revenues, expenses and changes in net position.

Capital Lease Obligations

The Hospital is obligated under leases for HVAC equipment and a CT Scanner that are accounted for as capital leases. A schedule of the equipment cost and accumulated depreciation under capital lease at December 31, 2021 and 2020, follows:

	2021	2020
Equipment	$ 2,768,952	$ 3,202,002
Accumulated depreciation	1,076,814	1,296,398
	$ 1,692,138	$ 1,905,604

The following is a schedule by year of future minimum lease payments under capital leases including interest at rates of 1.53% and 4.2% together with the present value of the future minimum lease payments as of December 31, 2021.

Year Ending December 31,	
2022	$ 242,170
2023	242,170
2024	242,170
2025	242,170
2026	100,905
Total minimum lease payments	1,069,585
Less amount representing interest	94,897
Present value of future minimum lease payments	$ 974,688

Note 6: Medical Malpractice Coverage and Claims

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

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

Note 7: 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.

Medicaid. Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed on a prospective payment methodology, which includes a hospital specific add-on percentage based on prior filed cost reports. The add-on percentage may be rebased at some time in the future.

Services rendered for long-term care facility residents are reimbursed under a cost-based prospective reimbursement methodology. The Hospital is reimbursed at a prospective rate with annual cost reports submitted to the Medicaid program. Rates are adjusted on July 1 and January 1 using an average of the three previously filed annual cost reports and changes in the Medicaid resident case mix. The Medicaid cost reports are subject to audit by the State and adjustments to rates can be made retroactively.

Approximately 57% and 63% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2021 and 2020, 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 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 8: Cost-Sharing Multiple-Employer Defined Benefit 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 pension 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.

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 age and years of credited service equal 85 "points." Tier 2 benefits are for members who are age 65 with five years of credited service or age 60 with 30 years of credited service. Tier 1 members receive a participating service credit of 1.75% of the final average salary for years of service prior to January 1, 2014. Participating service credit is 1.85% of final average salary for years of service after December 31, 2013. Tier 2 members retiring on or after January 1, 2012, participating service credit is 1.85% for all years of service.

Early retirement is permitted at the age of 55 and ten 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 statewide employer-contribution rates required to maintain the three systems on the actuarial reserve basis. Prior to January 1, 2014, Tier 1 participants were required to contribute 4% of their annual pay. Effective January 1, 2014, the rate was raised to 5% with an increase in the benefit multiplier to 1.85% beginning January 1, 2014, for future years of service only. Effective January 1, 2015, the contribution rate was raised to 6%. Tier 2 participants are required to contribute 6% of compensation. The Hospital's contractually required contribution rate for the years ended December 31, 2021 and 2020, was 8.87% and 8.61% of annual payroll, respectively. The employer contribution is actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The Hospital's contributions to KPERS for pensions for the years ended December 31, 2021 and 2020, were $675,459 and $648,377, respectively.

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

At December 31, 2021 and 2020, the Hospital reported a liability of $4,976,998 and $6,173,212, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and 2020, respectively, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of December 31, 2020 and 2019, respectively, rolled forward to June 30, 2021 and 2020, 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, 2021, the Hospital's proportion was 0.414765%, which was an increase of 0.058684% from its proportion measured as of June 30, 2020, of 0.356081%. At June 30, 2019, the proportion was 0.330458%.

For the years ended December 31, 2021 and 2020, the Hospital recognized pension expense of $691,279 and $901,868, respectively. At December 31, 2021 and 2020, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 196,454	$ 45,065
Net difference between projected and actual earnings on pension plan investments	-	1,767,318
Changes of assumptions	979,728	-
Changes in proportion	990,916	3,199
Hospital's contributions subsequent to the measurement date	339,052	-
Total	$ 2,506,150	$ 1,815,582

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 103,074	$ 79,364
Net difference between projected and actual earnings on pension plan investments	720,260	-
Changes of assumptions	371,832	-
Changes in proportion	445,369	22,234
Hospital's contributions subsequent to the measurement date	359,592	-
Total	$ 2,000,127	$ 101,598

At December 31, 2021, the Hospital reported $339,052 as deferred outflows of resources related to pension contributions made subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2021, related to pensions will be recognized in pension expense as follows:

2022	$ 210,172
2023	199,857
2024	122,016
2025	(244,315)
2026	63,786
	$ 351,516

Actuarial Assumptions

The total pension liability in the December 31, 2020 and 2019, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2020	2019
Price inflation	2.75%	2.75%
Salary increases, including inflation	3.50% to 12%	3.25% to 11.75%
Investment rate of return, net of pension plan investment expense, including inflation	7.25%	7.50%

Mortality rates were based on the RP-2014 Healthy Annuitant Table for males or females, as appropriate with adjustments for mortality improvements based on Scale MP-16 for the December 31, 2020 and 2019, actuarial valuations.

The actuarial assumptions used in the December 31, 2020 and 2019, valuations were based on the results of an actuarial experience study for the three-year period ended December 31, 2018, 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:

	2021		2020	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
U.S. equities	23.5%	5.20%	23.5%	5.20%
Non-U.S. equities	23.5%	6.40%	23.5%	6.40%
Private equity	8.0%	9.50%	8.0%	9.50%
Private real estate	11.0%	4.45%	11.0%	5.05%
Yield driven	8.0%	4.70%	8.0%	4.70%
Real return	11.0%	3.25%	11.0%	3.25%
Fixed income	11.0%	1.55%	11.0%	1.55%
Short-term investments	4.0%	0.25%	4.0%	0.25%
	100.0%		100.0%	

Discount Rate

The discount rate used to measure the total pension liability was 7.25% and 7.50%, for the years ended June 30, 2021 and 2020, 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 7.25%. The following presents the Hospital's proportionate share of the net pension liability calculated using a discount rate 1% higher and 1% lower than the current rate as of December 31, 2021:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Hospital's proportionate share of the net pension liability	$ 8,186,679	$ 4,976,998	$ 2,285,274

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 9: 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 June 30 (the measurement date), are:

	2021	2020
Active employees	146	140
Disabled employees	2	2
	148	142

Total OPEB Liability

The Hospital's total OPEB liability of $117,209 and $95,470 was measured as of June 30, 2021 and 2020, for the years ended December 31, 2021 and 2020, respectively, and was determined by actuarial valuations as of December 31, 2020 and 2019, respectively, and rolled forward to June 30, 2021 and 2020, respectively.

The total OPEB liability in the December 31, 2020 and 2019, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2021	2020
Inflation	2.75%	2.75%
Discount rate	2.16%	2.21%
Salary increases, including inflation	3.50% to 10%	3.50% to 10%

The discount rate was based on the Bond Buyer General Obligation 20-Year Municipal Bond Index. The discount rate changed from 3.50% in 2019 to 2.21% in 2020 and to 2.16% in 2021.

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-2021 Mortality Tables for the December 31, 2020, actuarial valuation.

Mortality rates were based on the RP-2014 Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups, as appropriate with adjustments for mortality improvements based on MP-2020 Mortality Tables for the December 31, 2019, actuarial valuation.

The actuarial assumptions used in the December 31, 2020 and 2019, valuations were based on the results of an actuarial experience study for the period January 1, 2016 – December 31, 2018, respectively.

Changes in the Total OPEB Liability

Changes in the total OPEB liability are:

	2021	2020
Balance, beginning of year	$ 95,470	$ 158,293
Changes for the year:		
Service cost	25,071	19,810
Interest	2,651	5,819
Differences between expected and actual experience	(4,961)	(69,857)
Changes of assumptions	181	5,281
Benefit payments	(1,203)	(23,876)
Net changes	21,739	(62,823)
Balance, end of year	$ 117,209	$ 95,470

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

The total OPEB liability of the Hospital, at December 31, 2021, has been calculated using a discount rate of 2.16%. The following presents the total OPEB liability using a discount rate 1% higher and 1% lower than the current discount rate.

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
Hospital's total OPEB liability	$ 120,225	$ 117,209	$ 113,251

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 December 31, 2021 and 2020, the Hospital recognized OPEB expense of $14,650 and $13,032, respectively. At December 31, 2021 and 2020, the Hospital reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 92,082
Changes of assumptions	6,121	5,407
Total	$ 6,121	$ 97,489

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 99,906
Changes of assumptions	6,752	6,506
Total	$ 6,752	$ 106,412

Amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2021, related to OPEB will be recognized in OPEB expense as follows:

2022	$	13,072
2023		13,072
2024		13,072
2025		13,072
2026		12,803
Thereafter		26,277
	$	91,368

Note 10: COVID-19 Pandemic & *CARES Act* Funding

On March 22, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by health care facilities.

While some of these policies have eased and states have lifted moratoriums on non-emergent procedures, some restrictions remain in place, and some state and local governments are re-imposing certain restrictions due to increasing rates of COVID-19 cases.

The Hospital's pandemic response plan has multiple facets and continues to evolve as the pandemic unfolds. The Hospital has taken steps to enhance its operational and financial flexibility and react to the risks the COVID-19 pandemic presents to its business.

The extent of the COVID-19 pandemic's adverse effect on the Hospital's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Hospital's control and ability to forecast.

Because of these and other uncertainties, the Hospital cannot estimate the length or severity of the effect of the pandemic on the Hospital's business. Decreases in cash flows and results of operations may have an effect on the inputs and assumptions used in significant accounting estimates, including estimated bad debts and contractual adjustments related to uninsured and other patient accounts.

Provider Relief Fund

During the years ended December 31, 2021 and 2020, the Hospital received $415,426 and $3,987,115, respectively, of distributions from the *CARES Act* Provider Relief Fund. These distributions from the Provider Relief Fund are not subject to repayment, provided the Hospital is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by HHS.

The Hospital accounts for such payments as voluntary nonexchange transactions. Payments are recognized as revenue once the applicable terms and conditions to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Hospital's operating revenues and expenses through December 31, 2021 and 2020, the Hospital recognized $0 and $3,987,115, respectively, related to the Provider Relief Fund, and these payments are recorded as Provider Relief Funds (*CARES Act*), classified as nonoperating revenues in the accompanying statements of revenues, expenses and changes in net position. The unrecognized amount of Provider Relief Fund distributions of $415,426 and $0 is recorded as a component of unearned revenue in the accompanying balance sheets for the years ended December 31, 2021 and 2020, respectively.

Guidance for reporting use of Provider Relief Fund payments received has changed significantly since distributions were authorized through the *CARES Act* in March 2020. The Hospital has evaluated the "Post-Payment Notice of Reporting Requirements" (Notice) and the Frequently Asked Questions (FAQs) issued by HHS for the years ended December 31, 2021 and 2020 and has recognized revenue accordingly. The Hospital will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Hospital's revenues and expenses. The terms and conditions governing the Provider Relief Fund are complex and subject to interpretation and change. If the Hospital is unable to attest to or comply with current or future terms and conditions, its ability to retain some or all of the distributions received may be affected. Additionally, the amounts recorded in the financial statements compared to the Hospital's Provider Relief Fund reporting could differ. Provider Relief Fund payments are subject to government oversight, including potential audits.

Medicare Accelerated and Advanced Payment Program

During the year ended December 31, 2020, the Hospital requested accelerated Medicare payments as provided for in the *CARES Act*, which allows for eligible health care facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other health care providers. These amounts are expected to be recaptured by CMS according to the payback provisions.

Effective September 30, 2020, the payback provisions were revised and extended the payback period to begin one year after the issuance of the advance payment through a phased payback period approach. The first 11 months of the payback period will be at 25% of the remittance advice payment followed by a six-month payback period at 50% of the remittance advice payment. After 29 months, CMS expects any amount not paid back through the withheld amounts to be paid back in a lump sum or interest will begin to accrue subsequent to the 29 months at a rate of 4%.

During the year ended December 31, 2020, the Hospital received $2,514,643 from these accelerated Medicare payment requests. During the year ended December 31, 2021, Medicare applied $1,134,650 from these accelerated Medicare payment requests against filed claims. The unapplied amount of accelerated Medicare payment requests is recorded under the caption advance from Medicare in the accompanying balance sheets and classified as a current and a long-term liability based upon payback provisions in effect at December 31, 2020.

Paycheck Protection Program (PPP) Loan

During the year ended December 31, 2020, the Hospital received a PPP loan of $1,864,300 established by the *CARES Act* and has accounted for the funding as debt in accordance with GASB 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan is recognized as nonoperating revenue in the financial statements in the period the debt is legally forgiven. PPP loans are subject to audit and acceptance by the SBA, or lender; as a result of such audit, adjustment could be required to any revenue recognized. The Hospital received legal notice on November 23, 2020, that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment as nonoperating revenue in the accompanying statements of revenues, expenses and changes in net position.

Other COVID-19 Funding

During the years ended December 31, 2021 and 2020, the Coronavirus Small Rural Hospital Improvement Program provided support to small rural and Critical Access Hospitals (CAHs) which were seeing increased demands for critical services and equipment, as well as experiencing short-term financial and workforce challenges related to responding to meeting the needs of patients with COVID-19 seeking care at their facilities. These funds were administered through the Small Rural Hospital Improvement Program (SHIP) to provide emergency funding support to CAHs and non-CAH rural hospitals with less than 50 beds. This approach provided funding directly to the states to target those rural hospitals and the communities they serve who are facing the greatest strain from this crisis. The Hospital received $0 and $78,613 during 2021 and 2020, respectively, related to this grant and recorded a receivable for $5,000 related to the grant at December 31, 2020. The Hospital recognized $0 and $83,613 of revenue during 2021 and 2020, respectively, related to this grant and the revenue is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

In November 2021, the Hospital received $83,575 from a distribution from the Frontline Hospital Employee Retention Plan program. Funding under this program was utilized by the Hospital to retain existing clinical staff and re-hire retirees who have retired since March 1, 2020. The Hospital recognized $35,184 of revenue during 2021 related to this funding and the revenue is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position. The unrecognized amount of this funding of $48,391 is recorded as a component of unearned revenue in the accompanny balance sheets for the year ended December 31, 2021.

On April 16, 2020, Kansas Governor Laura Kelly announced a special emergency grant funding program for Kansas hospitals. This emergency funding was requested by the Kansas Hospital Association (KHA) on behalf of Kansas hospitals and was distributed to help offset current financial strains caused by the COVID-19 pandemic. To facilitate the timely release of funds, hospitals were not required to complete an application. There are no specific requirements tied to utilization of the funds. The intent is for the grant payments to serve as a bridge to aid hospitals in meeting their basic operational expenditures. The Hospital received and recognized $100,000 on April 24, 2020, related to this special emergency grant. The payment is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

During the year ended December 31, 2020, HHS provided $100 million in aid to hospitals and health care systems in preparing for a surge in COVID-19 patients. Of that funding, $50 million was allotted to State Hospitals Associations for distribution through competitive grant applications. KHA received $784,542 in funds, which were distributed on May 1, 2020. In addition, KHA was awarded an additional $1.95 million to be distributed in the future. The Hospital received and recognized $3,000 during 2021, related to this Assistant Secretary for Preparedness and Response (ASPR) grant. The payment is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

During the year ended December 31, 2020, the Hospital received $93,242 of funding through the Strengthening People and Revitalizing Kansas (SPARK) program. This funding was recorded as a component of unearned revenue in the accompanying balance sheets at December 31, 2020. The Hospital recognized the $93,242 of funding in 2020 and the payment is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

Note 11: Subsequent Events

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Hospital. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Note 12: Future Change in Accounting Principle

Leases

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* (GASB 87) provides a new framework for accounting for leases under the principle that leases are financings. No longer will leases be classified between capital and operating. Lessees will recognize an intangible asset and a corresponding liability. The liability will be based on the payments expected to be paid over the lease term, which includes an evaluation of the likelihood of exercising renewal or termination options in the lease. Lessors will recognize a lease receivable and related deferred inflow of resources. Lessors will not derecognize the underlying asset. An exception to the general model is provided for short-term leases that cannot last more than 12 months. Contracts that contain lease and nonlease components will need to be separated so each component is accounted for accordingly.

In response to the challenges arising from COVID-19, on May 7, 2020, GASB approved Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. While the proposal included an extra year to implement all guidance, GASB, in a unanimous vote, approved an 18-month postponement for GASB 87. All statements and implementation guides with a current effective date of reporting periods beginning after June 15, 2018, and later will have a one-year postponement. This change is effective immediately. GASB 87 is effective for financial statements for fiscal years beginning after June 15, 2021. Earlier application is permitted. Governments will be allowed to transition using the facts and circumstances in place at the time of adoption, rather than retroactive to the time each lease was begun. The Hospital is evaluating the impact the statement will have on the financial statements.

Required Supplementary Information

Gove County Medical Center
A Component Unit of Gove County, Kansas
Schedule of the Hospital's Proportionate Share of the Net Pension Liability
Kansas Public Employees Retirement System Plan
Last Ten Fiscal Years

	2021 *	2020 *	2019 *	2018 *
Hospital's proportion of the net pension liability	0.414765%	0.356081%	0.330458%	0.315715%
Hospital's proportionate share of the net pension liability	$ 4,976,998	$ 6,173,212	$ 4,617,729	$ 4,400,404
Hospital's covered-employee payroll	$ 7,146,693	$ 6,459,382	$ 6,037,151	$ 5,560,349
Hospital's proportionate share of the net pension liability as a percentage of its covered-employee payroll	69.64%	95.57%	76.49%	79.14%
Plan fiduciary net position as a percentage of the total pension liability	76.40%	66.30%	69.88%	68.88%

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 fiscal year).

2017 *	2016 *	2015 *	2014 *
0.307998%	0.310951%	0.319067%	0.325591%
$ 4,461,214	$ 4,810,504	$ 4,189,490	$ 4,007,416
$ 5,412,610	$ 5,461,409	$ 5,482,166	$ 5,485,589
82.42%	88.08%	76.42%	73.05%
67.12%	65.10%	64.95%	66.60%

Gove County Medical Center
A Component Unit of Gove County, Kansas
Schedule of the Hospital's Pension Contributions
Kansas Public Employees Retirement System Plan
Last Ten Fiscal Years

	2021 *	2020 *	2019 *	2018 *
Contractually required contribution	$ 675,459	$ 648,377	$ 572,655	$ 488,474
Contribution in relation to the contractually required contribution	675,459	648,377	572,655	488,474
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Hospital's covered-employee payroll	$ 7,615,093	$ 7,530,515	$ 6,441,554	$ 5,822,095
Contributions as a percentage of covered-employee payroll	8.87%	8.61%	8.89%	8.39%

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

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

2017 *	2016 *	2015 *	2014 *
$ 441,447	$ 491,268	$ 503,830	$ 467,612
441,447	491,268	503,830	467,612
$ -	$ -	$ -	$ -
$ 5,218,053	$ 5,351,504	$ 5,556,418	$ 5,407,913
8.46%	9.18%	9.07%	8.65%

Gove County Medical Center
A Component Unit of Gove County, Kansas
Schedule of Changes in the Hospital's Total OPEB Liability and Related Ratios
Last Ten Fiscal Years

	2021 *	2020 *	2019 *	2018 *
Total OPEB Liability				
Service cost	$ 25,071	$ 19,810	$ 17,362	$ 17,178
Interest	2,651	5,819	6,786	7,085
Differences between expected and actual experience	(4,961)	(69,857)	(19,973)	(30,773)
Changes in assumptions	181	5,281	2,525	(2,602)
Benefit payments	(1,203)	(23,876)	(12,639)	(14,617)
Net Change in Total OPEB Liability	21,739	(62,823)	(5,939)	(23,729)
Hospital's Total OPEB Liability - Beginning	95,470	158,293	164,232	187,961
Hospital's Total OPEB Liability - Ending	$ 117,209	$ 95,470	$ 158,293	$ 164,232
Hospital's Covered-employee Payroll	$ 7,518,812	$ 6,367,739	$ 5,550,333	$ 5,157,397
Hospital's Total OPEB Liability as a Percentage of Covered-Employee Payroll	1.56%	1.50%	2.85%	3.18%
Changes of Assumptions				
Discount rate	2.16%	2.21%	3.50%	3.87%

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

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

2017 *
$ 18,949
5,699
-
(8,031)
(19,219)
(2,602)
190,563
$ 187,961
$ 5,215,125
3.60%
3.58%

Supplementary Information

Gove County Medical Center
A Component Unit of Gove County, Kansas
Net Patient Service Revenue
Years Ended December 31, 2021 and 2020

	2021		
	Inpatient	Outpatient	Total
Hospital nursing service	$ 1,349,100	$ -	$ 1,349,100
Nursery	93,286	-	93,286
Long-term care	2,386,582	-	2,386,582
Operating room	159,629	1,330,778	1,490,407
Delivery room	182,864	-	182,864
Anesthesiology	79,553	222,527	302,080
Radiology	481,333	4,163,091	4,644,424
Laboratory	463,988	3,387,072	3,851,060
Respiratory therapy	753,558	55,727	809,285
Physical therapy	157,753	1,029,473	1,187,226
Occupational therapy	48,937	115,131	164,068
Speech therapy	4,285	22,569	26,854
Electrocardiology	26,968	185,244	212,212
Cardiac rehabilitation	-	48,239	48,239
Cancer rehabilitation	-	660	660
Medical supplies	143,901	75,192	219,093
Pharmacy	963,946	983,766	1,947,712
Orthopedic, urology, ENT, pain clinics	11,610	454,283	465,893
Emergency room	61,402	850,247	911,649
Observation	4,025	93,101	97,126
Sleep lab	-	435,808	435,808
Home health agency	-	10,186	10,186
Independent living	85,210	-	85,210
	$ 7,457,930	$ 13,463,094	20,921,024
Provision for uncollectible accounts			213,277
Contractual allowances and charity care			5,068,796
Net patient service revenue			$ 15,638,951

2020		
Inpatient	Outpatient	Total
$ 1,454,939	$ -	$ 1,454,939
83,045	-	83,045
2,629,972	-	2,629,972
223,547	937,499	1,161,046
135,051	-	135,051
101,840	270,768	372,608
510,320	3,256,550	3,766,870
448,742	2,023,516	2,472,258
781,266	47,989	829,255
161,349	727,765	889,114
43,952	84,596	128,548
3,631	12,298	15,929
25,092	143,469	168,561
-	78,626	78,626
-	630	630
192,956	35,120	228,076
1,172,775	762,886	1,935,661
21,648	254,787	276,435
52,315	695,031	747,346
3,484	64,880	68,364
-	285,826	285,826
-	9,401	9,401
100,129	-	100,129
$ 8,146,053	$ 9,691,637	17,837,690
		155,705
		3,683,711
		$ 13,998,274

Gove County Medical Center
A Component Unit of Gove County, Kansas
Contractual Adjustments, Charity Care and Other Operating Revenues
Years Ended December 31, 2021 and 2020

Contractual Adjustments and Charity Care

	2021	2020
Charity Care	$ 44,081	$ 102,676
Contractual Adjustments		
Medicare and Medicaid – Hospital	1,744,663	1,026,851
Blue Cross – Hospital	1,888,617	1,761,716
Commercial insurance – Hospital	522,364	353,419
Medicaid – long-term care facility	594,651	275,759
Administrative adjustments	274,420	163,290
	$ 5,068,796	$ 3,683,711

Other Operating Revenues

	2021	2020
Day care revenue	$ 117,813	$ 107,148
Contract revenue	64,711	69,920
Cafeteria sales	47,778	44,998
Rent	46,200	55,110
Guest meals	5,729	3,798
Miscellaneous	98,028	107,809
	$ 380,259	$ 388,783

Gove County Medical Center
A Component Unit of Gove County, Kansas
Operating Expenses
Years Ended December 31, 2021 and 2020

	2021		
	Salaries	Other	Total
Hospital nursing service	$ 1,181,469	$ 841,289	$ 2,022,758
Nursery	12,775	1,941	14,716
Long-term care	1,807,405	230,698	2,038,103
Operating room	136,505	227,871	364,376
Delivery room	84,955	403,082	488,037
Anesthesiology	-	139,284	139,284
Radiology	307,478	384,094	691,572
Laboratory	448,564	718,684	1,167,248
Respiratory therapy	177,912	2,674	180,586
Physical therapy	405,207	123,504	528,711
Occupational therapy	82,290	7,431	89,721
Speech therapy	-	20,948	20,948
Electrocardiology	11,980	2,025	14,005
Cardiac rehabilitation	45,370	1,585	46,955
Cancer rehabilitation	444	-	444
Medical supplies	112,014	139,244	251,258
Pharmacy	88,543	652,560	741,103
Orthopedic, urology, ENT, pain clinics	37,742	102,573	140,315
Emergency room	67,341	709,258	776,599
Sleep lab	103,745	13,946	117,691
Home health agency	1,635	3,257	4,892
Depreciation	-	831,705	831,705
Employee benefits	-	3,590,727	3,590,727
Administrative and general	1,299,519	759,415	2,058,934
Operation of plant	200,554	347,012	547,566
Laundry and linen	94,821	9,508	104,329
Housekeeping	165,120	23,122	188,242
Dietary	394,013	165,700	559,713
Nursing service administration	290,996	9,219	300,215
Purchasing	51,362	6,952	58,314
Medical records	189,062	55,456	244,518
	$ 7,798,821	$ 10,524,764	$ 18,323,585

2020		
Salaries	Other	Total
$ 1,300,746	$ 358,190	$ 1,658,936
14,575	1,974	16,549
1,962,973	316,808	2,279,781
105,681	30,394	136,075
40,257	106,909	147,166
-	257,850	257,850
307,525	325,732	633,257
356,657	754,182	1,110,839
202,912	1,448	204,360
401,867	125,459	527,326
79,680	8,721	88,401
-	19,308	19,308
8,142	2,554	10,696
46,014	7,538	53,552
408	-	408
107,588	90,299	197,887
101,613	675,129	776,742
28,137	9,487	37,624
52,440	689,455	741,895
67,316	7,564	74,880
785	5,108	5,893
-	840,064	840,064
-	3,262,203	3,262,203
1,584,284	876,838	2,461,122
210,171	321,656	531,827
100,957	5,447	106,404
195,854	26,351	222,205
406,040	157,730	563,770
314,790	10,615	325,405
76,511	7,445	83,956
205,974	48,370	254,344
$ 8,279,897	$ 9,350,828	$ 17,630,725