

Rawlins County Health Center
A Component Unit of Rawlins County, Kansas
Independent Auditor's Report and Financial Statements
June 30, 2021 and 2020

Rawlins County Health Center
A Component Unit of Rawlins County, Kansas
June 30, 2021 and 2020

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Independent Auditor's Report

Board of Trustees
Rawlins County Health Center
Atwood, Kansas

We have audited the accompanying financial statements of Rawlins County Health Center (Health Center), a component unit of Rawlins County, Kansas, and Rawlins County Health Center Foundation as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise Rawlins County Health Center'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 Rawlins County Health Center as of June 30, 2021 and 2020, 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

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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

BKD, LLP

Wichita, Kansas
February 23, 2022

Rawlins County Health Center
A Component Unit of Rawlins County, Kansas
Balance Sheets
June 30, 2021 and 2020

Assets

	2021	2020
Current Assets		
Cash and cash equivalents	\$ 11,065,448	\$ 11,465,156
Patient accounts receivable, net of allowance; 2021 - \$1,205,134, 2020 - \$906,510	1,176,055	827,743
Estimated amounts due from Medicare	272,000	-
Property taxes receivable	37,359	62,562
Supplies	237,758	260,787
Prepaid expenses and other	115,211	44,279
	<hr/>	<hr/>
Total current assets	12,903,831	12,660,527
	<hr/>	<hr/>
Noncurrent Cash and Investments		
Designated by Board of Trustees for capital acquisitions	1,398,234	860,968
Long-term certificates of deposit	249,000	249,000
Held by Foundation for capital acquisitions	794,222	798,230
Held by trustee for debt service	595,476	561,876
Time restricted trust assets	24,951	26,395
Irrevocable trust	511,502	451,580
	<hr/>	<hr/>
	3,573,385	2,948,049
	<hr/>	<hr/>
Capital Assets, Net	6,307,728	6,529,220
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Total assets	\$ 22,784,944	\$ 22,137,796
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See Notes to Financial Statements

Liabilities, Deferred Inflows of Resources and Net Position

	2021	2020
Current Liabilities		
Current maturities of long-term debt	\$ 211,454	\$ 481,692
Accounts payable	804,817	304,690
Salaries payable	175,641	159,893
Payroll taxes payable	46,490	43,061
Vacation benefits payable	129,361	125,548
Accrued interest payable	149,445	151,963
Estimated amounts due to Medicare	-	250,000
Advance from Medicare	1,666,461	3,447,850
Unearned revenue	1,680,912	3,551,641
Total current liabilities	4,864,581	8,516,338
Advance from Medicare	1,616,343	-
Long-term Debt	6,414,829	6,967,126
Total liabilities	12,895,753	15,483,464
Deferred Inflows of Resources - Property Taxes	487,225	496,332
Net Position		
Net investment in capital assets	(318,555)	(289,771)
Restricted - expendable for		
Debt service	595,476	561,876
Capital acquisitions	794,222	798,230
Restricted - nonexpendable for		
Time restricted trust	24,951	26,395
Irrevocable trust	511,502	451,580
Unrestricted	7,794,370	4,609,690
Total net position	9,401,966	6,158,000
Total liabilities, deferred inflows of resources and net position	\$ 22,784,944	\$ 22,137,796

Rawlins County Health Center Foundation
A Discretely Presented Component Unit of Rawlins County Health Center
Statements of Financial Position
June 30, 2021 and 2020

Assets

	<u>2021</u>	<u>2020</u>
Current Assets		
Cash	\$ 386,601	\$ 380,520
Restricted cash	360,604	338,849
Notes receivable from Health Center	<u>47,017</u>	<u>78,361</u>
Total assets	<u>\$ 794,222</u>	<u>\$ 797,730</u>

Net Assets

Without donor restrictions	\$ 433,618	\$ 458,881
With donor restrictions	<u>360,604</u>	<u>338,849</u>
Total net assets	<u>\$ 794,222</u>	<u>\$ 797,730</u>

Rawlins County Health Center
A Component Unit of Rawlins County, Kansas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2021 - \$522,516, 2020 - \$457,920	\$ 7,289,651	\$ 7,019,518
Prairie Plaza	116,797	130,068
340B drug program	519,513	334,833
Other	<u>207,209</u>	<u>89,904</u>
Total operating revenues	<u>8,133,170</u>	<u>7,574,323</u>
Operating Expenses		
Salaries and wages	3,275,934	3,295,126
Employee benefits	852,106	725,359
Purchased services and professional fees	2,006,132	1,678,980
Supplies and other	1,695,269	1,300,176
Depreciation	<u>857,109</u>	<u>880,835</u>
Total operating expenses	<u>8,686,550</u>	<u>7,880,476</u>
Operating Loss	<u>(553,380)</u>	<u>(306,153)</u>
Nonoperating Revenues (Expenses)		
Property taxes	967,656	923,248
Investment income	89,230	147,918
Interest expense	(233,786)	(244,108)
Provider Relief Funds (<i>CARES Act</i>)	1,970,729	-
Paycheck Protection Program (PPP) loan forgiveness	629,827	-
Noncapital grants and gifts	<u>118,952</u>	<u>195,641</u>
Total nonoperating revenues	<u>3,542,608</u>	<u>1,022,699</u>
Excess of Revenue Over Expenses Before Capital Grants and Gifts	2,989,228	716,546
Capital Grants and Gifts	<u>254,738</u>	<u>108,655</u>
Increase in Net Position	3,243,966	825,201
Net Position, Beginning of Year	<u>6,158,000</u>	<u>5,332,799</u>
Net Position, End of Year	<u><u>\$ 9,401,966</u></u>	<u><u>\$ 6,158,000</u></u>

Rawlins County Health Center Foundation
A Discretely Presented Component Unit of Rawlins County Health Center
Statements of Activities
Years Ended June 30, 2021 and 2020

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions	\$ 315,492	\$ 36,814	\$ 352,306
Interest income	1,369	-	1,369
Net assets released from restrictions used for operations	15,059	(15,059)	-
Total revenues, gains and other support	331,920	21,755	353,675
Expenses			
Contributions to Health Center	295,264	-	295,264
Other	61,919	-	61,919
Total expenses	357,183	-	357,183
Change in Net Assets	(25,263)	21,755	(3,508)
Net Assets, Beginning of Year	458,881	338,849	797,730
Net Assets, End of Year	<u>\$ 433,618</u>	<u>\$ 360,604</u>	<u>\$ 794,222</u>

Rawlins County Health Center Foundation
A Discretely Presented Component Unit of Rawlins County Health Center
Statements of Activities (Continued)
Years Ended June 30, 2021 and 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions	\$ 478,215	\$ 351,849	\$ 830,064
Interest income	1,159	-	1,159
Total revenues, gains and other support	479,374	351,849	831,223
Expenses			
Contributions to Health Center	16,052	13,000	29,052
Other	4,441	-	4,441
Total expenses	20,493	13,000	33,493
Change in Net Assets	458,881	338,849	797,730
Net Assets, Beginning of Year	-	-	-
Net Assets, End of Year	\$ 458,881	\$ 338,849	\$ 797,730

Rawlins County Health Center
A Component Unit of Rawlins County, Kansas
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities		
Receipts from and on behalf of patients	\$ 6,254,293	\$ 9,389,531
Payments to suppliers and contractors	(4,253,528)	(3,709,531)
Payments to employees	(3,256,373)	(3,340,386)
Other receipts (payments), net	(1,027,210)	4,106,446
Net cash provided by (used in) operating activities	(2,282,818)	6,446,060
Cash Flows From Noncapital Financing Activities		
Proceeds from issuance of long-term debt	-	629,827
Property taxes supporting operations	983,752	979,790
Provider Relief Funds (<i>CARES Act</i>)	1,970,729	-
Noncapital grants and gifts	118,952	195,641
Net cash provided by noncapital financing activities	3,073,433	1,805,258
Cash Flows From Capital and Related Financing Activities		
Purchase of capital assets	(370,461)	(37,899)
Principal paid on long-term debt	(192,708)	(208,353)
Interest paid on long-term debt	(233,786)	(244,108)
Capital grants and gifts	146,746	40,322
Net cash used in capital and related financing activities	(650,209)	(450,038)
Cash Flows From Investing Activities		
Interest income received	30,752	90,098
Net cash provided by investing activities	30,752	90,098
Increase in Cash and Cash Equivalents	171,158	7,891,378
Cash and Cash Equivalents, Beginning of Year	12,888,000	4,996,622
Cash and Cash Equivalents, End of Year	<u>\$ 13,059,158</u>	<u>\$ 12,888,000</u>
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents in current assets	\$ 11,065,448	\$ 11,465,156
Noncurrent cash	1,993,710	1,422,844
	<u>\$ 13,059,158</u>	<u>\$ 12,888,000</u>

Rawlins County Health Center
A Component Unit of Rawlins County, Kansas
Statements of Cash Flows (Continued)
Years Ended June 30, 2021 and 2020

	2021	2020
Reconciliation of Operating Loss to Net Cash		
Provided by (Used in) Operating Activities		
Operating loss	\$ (553,380)	\$ (306,153)
Depreciation	857,109	880,835
Provision for uncollectible accounts	522,516	457,920
Changes in operating assets and liabilities		
Patient accounts receivable, net	(870,828)	(35,757)
Estimated amounts due from and to Medicare	(522,000)	(1,500,000)
Supplies	23,029	(83,831)
Other assets	(70,932)	56,274
Accounts payable and accrued expenses	367,443	(22,719)
Advance from Medicare	(165,046)	3,447,850
Unearned revenue	(1,870,729)	3,551,641
	<u>\$ (2,282,818)</u>	<u>\$ 6,446,060</u>
Net cash provided by (used in) operating activities		
Noncash Investing, Capital and Financing Activities		
Capital lease obligations incurred for capital assets	\$ -	\$ 55,800
Increase in fair value of the irrevocable trust and the time restricted trust	\$ 58,478	\$ 57,820
Capital assets acquisitions included in accounts payable	\$ 153,156	\$ -
Capital assets transferred from Rawlins County	\$ 112,000	\$ -
PPP loan forgiveness	\$ 629,827	\$ -

Rawlins County Health Center Foundation
A Discretely Presented Component Unit of Rawlins County Health Center
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Operating Activities		
Changes in net assets	\$ (3,508)	\$ 797,730
Items not providing operating activities cash flows		
Notes receivable obtained from Rawlins County Health Foundation	-	(109,705)
Net cash provided by (used in) operating activities	(3,508)	688,025
Investing Activities		
Payments received on notes receivable	31,344	31,344
Net cash provided by investing activities	31,344	31,344
Increase in Cash	27,836	719,369
Cash, Beginning of Year	719,369	-
Cash, End of Year	\$ 747,205	\$ 719,369
Reconciliation of Cash to the Balance Sheet		
Cash	\$ 386,601	\$ 380,520
Restricted cash	360,604	338,849
	\$ 747,205	\$ 719,369

Rawlins County Health Center
A Component Unit of Rawlins County, Kansas
Notes to Financial Statements
June 30, 2021 and 2020

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

Nature of Operations and Reporting Entity

Rawlins County Health Center (Health Center) is an acute care hospital located in Atwood, Kansas. The Health Center is a component unit of Rawlins County (County) and is governed by an elected Board of Trustees. The Health Center primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in the Rawlins County area.

Foundation

Rawlins County Health Center Foundation (Foundation) is a legally separate, tax-exempt component unit of the Health Center. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the Health Center in support of its programs. The three to ten member board of the Foundation is self-perpetuating and consists of area business and community members. The Health Center appoints up to two members of the Foundation board. The remaining members are elected by a majority of the current members.

Although the Health Center does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources and related income are used for the benefit of the Health Center. Because of the relationship and level of support the Health Center receives from the Foundation, the Foundation is considered a component unit of the Health Center and is discretely presented in the Health Center's financial statements.

During the years ended June 30, 2021 and 2020, the Foundation distributed \$295,264 and \$29,052, respectively, to the Health Center.

The Foundation is a private nonprofit organization that reports under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As such, certain revenue recognition criteria and presentation features are different from Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to the Foundation's statements in the Health Center's financial reporting entity for these differences.

Basis of Accounting and Presentation

The financial statements of the Health Center have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities 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 property taxes, interest income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Health Center first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Rawlins County Health Center
A Component Unit of Rawlins County, Kansas
Notes to Financial Statements
June 30, 2021 and 2020

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 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 Health Center considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2021 and 2020, cash equivalents consisted of certificates of deposit.

Certificates of Deposit

Certificates of deposit are carried at amortized cost. Certificates of deposit with original maturities of less than one year are reported as current assets. Those with original maturities greater than one year are reported as noncurrent investments.

Budgetary Principles

The Health Center is required by state statutes to adopt an annual budget for the unrestricted funds on or before August 25 for the ensuing year. The Health Center's Board of Trustees may amend the budget by transferring budgeted amounts from one object or purpose to another within the same fund. Expenditures may not legally exceed the total amount of the adopted budget of expenditures of the fund which is prepared on a calendar year basis.

Applicable Kansas statutes require the use of an encumbrance system as a management control technique to assist in controlling expenditures. For budgetary purposes, encumbrances of the budgeted unrestricted funds, representing purchase orders, contracts and other commitments, are reported as a charge to the current budget year. All unencumbered appropriations lapse at the end of the year.

Patient Accounts Receivable

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

Rawlins County Health Center
A Component Unit of Rawlins County, Kansas
Notes to Financial Statements
June 30, 2021 and 2020

Supplies

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

Noncurrent Cash and Investments

Noncurrent cash and investments include designated assets set aside by the Board of Trustees for capital acquisitions, over which the Board retains control and may at its discretion subsequently use for other purposes. Also included in noncurrent cash and investments are assets restricted for capital acquisitions, restricted for debt service, time restricted trust assets and an irrevocable trust.

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 Health Center:

Land improvements	20 years
Buildings	10-50 years
Fixed equipment	10-20 years
Moveable equipment	5-20 years

Capital Asset Impairment

The Health Center 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 June 30, 2021 and 2020.

Paycheck Protection Program (PPP) Loan

The Health Center 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 Health Center received legal notice on November 2, 2020, that the PPP loan was forgiven in its entirety and recognized the gain on extinguishment as other nonoperating revenue in the accompanying statements of revenues, expenses and changes in net position.

Rawlins County Health Center
A Component Unit of Rawlins County, Kansas
Notes to Financial Statements
June 30, 2021 and 2020

Compensated Absences

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

Risk Management

The Health Center 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; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than employee health and dental claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Deferred Inflows of Resources

The Health Center reports decreases in net position that relate to future periods as deferred inflows of resources in a separate section of its balance sheets. Deferred inflows of resources consist of property taxes levied for use in future periods.

Net Position

Net position of the Health Center is classified in four 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.
- 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 Health Center, including amounts deposited with trustees as required by revenue bond indentures, reduced by the outstanding balances of any related borrowings.
- Restricted nonexpendable net position consists of noncapital assets that are required to be maintained in perpetuity as specified by parties external to the Health Center, such as permanent endowments. The time restricted trust assets have a time restriction that expires in year 2026.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Rawlins County Health Center
A Component Unit of Rawlins County, Kansas
Notes to Financial Statements
June 30, 2021 and 2020

Net Patient Service Revenue

The Health Center has agreements with third-party payers that provide for payments to the Health Center 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 Health Center provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Health Center does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

Property Taxes

The Health Center received approximately 7% in 2021 and 10% in 2020 of its financial support from property taxes. One hundred percent of these funds were used to support operations in both years.

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

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 is recorded as a component of unearned revenue in the accompanying balance sheets.

Rawlins County Health Center
A Component Unit of Rawlins County, Kansas
Notes to Financial Statements
June 30, 2021 and 2020

Income Taxes

As an essential government function of the County, the Health Center 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 Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income.

Reclassifications

Certain reclassifications have been made to the 2020 financial statements to conform to the 2021 presentation. The reclassifications had no effect on the changes in financial position.

Note 2: Deposits and Investments

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 Health Center'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, 2021 and 2020, respectively, \$12,827,005 and \$12,635,257 of the Health Center's bank balances of \$13,369,936 and \$13,139,049 were exposed to custodial credit risk as follows:

	<u>2021</u>	<u>2020</u>
Uninsured and collateral held by pledging financial institution	<u>\$ 12,827,005</u>	<u>\$ 12,635,257</u>

Rawlins County Health Center
A Component Unit of Rawlins County, Kansas
Notes to Financial Statements
June 30, 2021 and 2020

Summary of Carrying Values

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

	<u>2021</u>	<u>2020</u>
Carrying value		
Deposits	\$ 13,308,158	\$ 13,137,000
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 11,065,448	\$ 11,465,156
Noncurrent cash and investments		
Designated by Board of Trustees for capital acquisitions	1,398,234	860,968
Long-term certificates of deposit	249,000	249,000
Held by trustee for debt service	595,476	561,876
	<u>\$ 13,308,158</u>	<u>\$ 13,137,000</u>

Foundation

At June 30, 2021 and 2020, the Foundation's cash accounts exceeded federally insured limits by approximately \$497,000 and \$469,000, respectively.

Note 3: Patient Accounts Receivable

The Health Center grants credit without collateral to its patients, many of whom are area residents and are insured under third-party agreements. Patient accounts receivable at June 30 consisted of:

	<u>2021</u>	<u>2020</u>
Medicare	\$ 770,345	\$ 351,613
Medicaid	117,616	45,216
Blue Cross	143,964	101,596
Other third-party payers	252,300	300,677
Self-pay	1,096,964	935,151
	<u>2,381,189</u>	<u>1,734,253</u>
Less provision for uncollectible accounts	<u>(1,205,134)</u>	<u>(906,510)</u>
Patient accounts receivable, net	<u>\$ 1,176,055</u>	<u>\$ 827,743</u>

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Note 4: Capital Assets

Capital assets activity for the years ended June 30 was:

	2021				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 14,705	\$ -	\$ -	\$ -	\$ 14,705
Land improvements	1,010,644	-	-	-	1,010,644
Buildings	10,313,214	112,000	-	-	10,425,214
Fixed equipment	2,211,141	74,067	-	-	2,285,208
Moveable equipment	2,526,355	23,976	-	-	2,550,331
Construction in progress	-	425,574	-	-	425,574
	<u>16,076,059</u>	<u>635,617</u>	<u>-</u>	<u>-</u>	<u>16,711,676</u>
Less accumulated depreciation					
Land improvements	702,923	50,245	-	-	753,168
Buildings	5,467,563	469,294	-	-	5,936,857
Fixed equipment	1,486,993	176,275	-	-	1,663,268
Moveable equipment	1,889,360	161,295	-	-	2,050,655
	<u>9,546,839</u>	<u>857,109</u>	<u>-</u>	<u>-</u>	<u>10,403,948</u>
Capital Assets, Net	<u>\$ 6,529,220</u>	<u>\$ (221,492)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,307,728</u>

	2020				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 14,705	\$ -	\$ -	\$ -	\$ 14,705
Land improvements	1,010,644	-	-	-	1,010,644
Buildings	10,313,214	-	-	-	10,313,214
Fixed equipment	2,210,028	1,113	-	-	2,211,141
Moveable equipment	2,433,769	92,586	-	-	2,526,355
	<u>15,982,360</u>	<u>93,699</u>	<u>-</u>	<u>-</u>	<u>16,076,059</u>
Less accumulated depreciation					
Land improvements	652,678	50,245	-	-	702,923
Buildings	4,982,910	484,653	-	-	5,467,563
Fixed equipment	1,317,494	169,499	-	-	1,486,993
Moveable equipment	1,712,922	176,438	-	-	1,889,360
	<u>8,666,004</u>	<u>880,835</u>	<u>-</u>	<u>-</u>	<u>9,546,839</u>
Capital Assets, Net	<u>\$ 7,316,356</u>	<u>\$ (787,136)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,529,220</u>

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Note 5: Irrevocable Trust

The Health Center is an income beneficiary of an irrevocable trust controlled by an unrelated third-party trustee. The beneficial interest in the assets of this trust is included in the Health Center's financial statements as restricted, non-expendable net position. Income is distributed in accordance with the trust documents and is included in noncapital grants and gifts. The estimated value of the expected future cash flows is \$511,502 and \$451,580 at June 30, 2021 and 2020, respectively, which represents the Health Center's share of the fair value of the trust assets. Trust income distributed to the Health Center was \$11,200 and \$0 for the years ended June 30, 2021 and 2020, respectively.

The trust is invested primarily in mutual funds and real estate in Rawlins County, Kansas.

Note 6: Medical Malpractice Coverage and Claims

The Health Center purchases medical malpractice insurance under a claims-made policy with a fixed premium which provides for \$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 Health Center's claim experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

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Note 7: Long-term Debt

The following is a summary of long-term debt transactions for the Health Center for the years ended June 30:

2021						
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	Long-term Portion
Series 2012						
Revenue Bonds	\$ 6,512,685	\$ -	\$ 107,931	\$ 6,404,754	\$ 111,709	\$ 6,293,045
Note payable - Foundation	78,361	-	31,344	47,017	31,344	15,673
Note payable - PPP Loan	629,827	-	629,827	-	-	-
Capital lease obligations	227,945	-	53,433	174,512	68,401	106,111
	<u>\$ 7,448,818</u>	<u>\$ -</u>	<u>\$ 822,535</u>	<u>\$ 6,626,283</u>	<u>\$ 211,454</u>	<u>\$ 6,414,829</u>
2020						
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	Long-term Portion
Series 2012						
Revenue Bonds	\$ 6,616,966	\$ -	\$ 104,281	\$ 6,512,685	\$ 107,931	\$ 6,404,754
Note payable - Foundation	109,705	-	31,344	78,361	31,344	47,017
Note payable - PPP Loan	-	629,827	-	629,827	277,049	352,778
Capital lease obligations	244,873	55,800	72,728	227,945	65,368	162,577
	<u>\$ 6,971,544</u>	<u>\$ 685,627</u>	<u>\$ 208,353</u>	<u>\$ 7,448,818</u>	<u>\$ 481,692</u>	<u>\$ 6,967,126</u>

Series 2012 Revenue Bonds

In November 2010, the County issued 1.75% Kansas Hospital Revenue Bond Anticipation Refunding and Improvement Bonds, Series 2010B, totaling \$7,000,000 maturing on November 1, 2012. The Series 2010B Revenue Bonds were used to provide funds for renovation projects to the Health Center and for redemption of \$1,100,000 of the Series 2010 Revenue Bonds. The County issued Kansas Hospital Refunding Bonds, Series 2012, dated October 26, 2012, to provide permanent funding for the project. The Series 2012 Bonds total \$7,000,000 and have maturity dates through October 26, 2052. The United States Department of Agriculture – Rural Development purchased the Series 2012 Bonds in their entirety on October 31, 2012.

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The indenture agreements require the Health Center to comply with certain restrictive covenants including minimum insurance coverage and maintaining a historical debt-service coverage ratio of at least 1.20.

Under the terms of the bond indentures, the Health Center is required to maintain certain revenue bond funds. These funds, which consist entirely of cash, are included in noncurrent cash and investments – held by trustee for debt service in the accompanying balance sheets and consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Debt service	\$ 253,425	\$ 253,425
Bond reserve funds	<u>342,051</u>	<u>308,451</u>
	<u>\$ 595,476</u>	<u>\$ 561,876</u>

The debt service requirements of revenue bonds payable as of June 30, 2021, are as follows:

<u>Year Ending June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 335,875	\$ 111,709	\$ 224,166
2023	335,875	115,618	220,257
2024	335,875	119,665	216,210
2025	335,875	123,853	212,022
2026	335,875	128,188	207,687
2027-2031	1,679,374	711,463	967,911
2032-2036	1,679,374	844,995	834,379
2037-2041	1,679,375	1,003,590	675,785
2042-2046	1,679,374	1,191,949	487,425
2047-2051	1,679,377	1,415,664	263,713
2052-2053	<u>671,750</u>	<u>638,060</u>	<u>33,690</u>
	<u>\$ 10,747,999</u>	<u>\$ 6,404,754</u>	<u>\$ 4,343,245</u>

Note Payable - Foundation

In November 2017, the Health Center entered into a note payable with the Foundation in the amount of \$156,722 and interest at 0%. Proceeds of the note were used to fund building improvements. Payments are due monthly through December 31, 2022.

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The debt service requirements of note payable to Foundation as of June 30, 2021, are as follows:

Year Ending June 30,	Total	Principal	Interest
2022	\$ 31,344	\$ 31,344	\$ -
2023	15,673	15,673	-
	<u>\$ 47,017</u>	<u>\$ 47,017</u>	<u>\$ -</u>

Note Payable – PPP Loan

The *CARES Act* and other subsequent legislation also provides an SBA loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. The Health Center received a PPP loan of \$629,827 in 2020. The loan has an interest rate of 1%. The Health Center received legal notice on November 2, 2020, that the PPP loan was forgiven in its entirety.

Capital Lease Obligations

The Health Center is obligated under leases for equipment at various interest rates with maturities ranging from fiscal years 2022 to 2024.

The following is a schedule by year of future minimum lease payments under capital lease together with the present value of the future minimum lease payments as of June 30, 2021:

Year Ending June 30,	Total	Principal	Interest
2022	\$ 75,497	\$ 68,401	\$ 7,096
2023	56,544	52,676	3,868
2024	54,820	53,435	1,385
	<u>\$ 186,861</u>	<u>\$ 174,512</u>	<u>\$ 12,349</u>

Following is a schedule of the equipment cost and accumulated depreciation under capital leases at June 30:

	2021	2020
Equipment	\$ 298,260	\$ 308,010
Less accumulated depreciation	114,366	75,403
	<u>\$ 183,894</u>	<u>\$ 232,607</u>

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Note 8: Employee Health Claims

Substantially all of the Health Center's employees and their dependents are eligible to participate in the Health Center's employee health insurance plan. The Health Center is self-insured for health claims of participating employees and dependents up to an annual aggregate amount of \$50,000 per covered employee. Commercial stop-loss insurance coverage is purchased for claims in excess of the aggregate annual amount. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claim experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Health Center's estimate will change by a material amount in the near term.

Activity in the Health Center's accrued employee health claims liability during 2021 and 2020 is summarized as follows:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 21,033	\$ 35,673
Current year claims incurred and changes in estimates for claims incurred in prior years	385,929	302,342
Claims and expenses paid	<u>(330,140)</u>	<u>(316,982)</u>
Balance, end of year	<u><u>\$ 76,822</u></u>	<u><u>\$ 21,033</u></u>

Note 9: Net Patient Service Revenue

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

Medicare. The Health Center is recognized as a critical access hospital (CAH) and is paid at one hundred one percent (101%) of allowable costs for certain inpatient and outpatient services. The Health Center is reimbursed for certain services and cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Health Center 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.

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Approximately 72% and 71% of net patient service revenues are from participation in the Medicare and state-sponsored Medicaid programs for the years ended June 30, 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 Health Center has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Health Center under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Note 10: Management Agreement

The Health Center has contracted with Centura Health Corporation (Centura) for various services, including oversight, providing a hospital administrator and certain other financial services. The initial contract term was for a period of one year through September 30, 2018, with a first renewal term of three years through September 30, 2021. Following the first renewal term, the contract shall thereafter continue for successive one-year terms unless cancelled by either party at least 90 days before the end of the term. Fees incurred for the various services provided by Centura to the Health Center for the years ended June 30, 2021 and 2020, were \$135,868 and \$110,000, respectively. Amounts due to Centura at June 30, 2021 and 2020, were \$56,884 and \$63,148, respectively.

Note 11: 340B Drug Pricing Program

The Health Center participates in the 340B Drug Pricing Program (340B Program) enabling the Health Center to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Health Center recorded revenues of \$519,513 and \$334,833 for the years ending June 30, 2021 and 2020, respectively. The Health Center recorded expenses of \$216,631 and \$95,514 for the years ending June 30, 2021 and 2020, respectively, which is included in supplies and other in the accompanying statements of revenue and expenses and changes in net position. This program is overseen by the Health Resources and Service Administration (HRSA) office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to financial statement amounts related to 340B Program could occur in the near term.

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Note 12: Pension Plan

Defined Contribution Plan

The Health Center maintains a contributory pension plan which requires mandatory contributions from all participating employees. Benefits are funded by a money purchase annuity with an insurance company. Employee and employer contributions are computed at 8% of annual eligible compensation respectively. All contributions are 100% vested upon participation in the plan. Contributions actually made by plan members and the Health Center aggregated \$241,966 and \$244,576 during 2021 and \$258,120 and \$246,885 during 2020, respectively.

Deferred Compensation Plan

The Health Center provides a deferred compensation plan (457 Plan) to substantially all employees of the Health Center. The employees may contribute up to 100% of their salary to the 457 Plan. The employees' salary deferral is limited by the Internal Revenue Service (IRS) annually. Employees are 100% vested in the contributions they choose to defer. Contributions from employees to the 457 Plan were \$29,199 and \$30,332 for the years ended June 30, 2021 and 2020, respectively. The Health Center does not contribute to the 457 Plan.

Note 13: 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.

The Health Center's pandemic response plan has multiple facets and continues to evolve as the pandemic unfolds. The Health Center has taken precautionary 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 Health Center's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Health Center's control and ability to forecast. Such factors include, but are not limited to, the scope and duration of stay-at-home practices and business closures and restrictions, government-imposed or recommended suspensions of elective procedures, continued declines in patient volumes for an indeterminable length of time, increases in the number of uninsured and underinsured patients as a result of higher sustained rates of unemployment, incremental expenses required for supplies and personal protective equipment, and changes in professional and general liability exposure.

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Because of these and other uncertainties, the Health Center cannot estimate the length or severity of the effect of the pandemic on the Health Center's business. Decreases in cash flows and result of operations may have an effect on debt covenant compliance and 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

The Health Center received \$100,000 and \$3,551,641 from the *CARES Act* Provider Relief Fund for the years ended June 30, 2021 and 2020, respectively. These distributions from the Provider Relief Fund are not subject to repayment, provided the Health Center 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 the Department of Health and Human Services (HHS).

The Health Center is accounting for such payments as voluntary nonexchange transactions. As such, payments are recognized as revenue once the applicable terms and conditions required 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 Health Center's operating revenues and expenses through June 30, 2021 and 2020, the Health Center recognized \$1,970,729 and \$0, respectively, related to the Provider Relief Fund, and these payments are recorded as Provider Relief Funds (*CARES Act*) in the accompanying statements of revenues, expenses and changes in net position. The unrecognized amount of Provider Relief Fund distributions of \$1,680,912 and \$3,551,641 is recorded as a component of unearned revenue in the accompanying balance sheets for the years ended June 30, 2021 and 2020, respectively.

The Health Center will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Health Center's revenues and expenses. The terms and conditions governing the Provider Relief Funds are complex and subject to interpretation and change. If the Health Center is unable to attest to or comply with current or future terms and conditions the Health Center's ability to retain some or all of the distributions received may be affected. The Provider Relief Funds are subject to government oversight, including potential audits.

Paycheck Protection Program (PPP) Loan

During fiscal year 2020, the Health Center received a PPP loan of \$629,827 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 Health Center received legal notice on November 2, 2020, that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment as Paycheck Protection Program (PPP) loan forgiveness in the accompanying statements of revenues, expenses and changes in net position.

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Medicare Accelerated and Advanced Payment Program

During fiscal year 2020, the Health Center 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 fiscal year 2020, the Health Center received \$3,447,850 from these accelerated Medicare payment requests. The unapplied amount of accelerated Medicare payment requests is recorded under the caption Advance from Medicare in the accompanying balance sheets and is classified as a current and a long-term liability as of June 30, 2021, based upon payback provisions in effect at June 30, 2021 and a current liability as of June 30, 2020, based upon payback provisions in effect at June 30, 2020.

Other COVID-19 Funding

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. On April 24, 2020, the Health Center received and recognized \$100,000 related to this special emergency grant for the year ended June 30, 2020, which is included in noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

During 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. In addition, KHA was awarded an additional \$1.95 million to be distributed in the future. The Hospital received \$3,000 related to this Assistant Secretary for Preparedness and Response (ASPR) grant for the year ended June 30, 2020, and recognized the revenue related to the ASPR grant during the year ended June 30, 2021, which is included in noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

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During 2021, the Coronavirus Small Rural Hospital Improvement Program provided support to small rural and Critical Access Hospitals (CAHs) which were seeing increased demands for clinical 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 and recognized \$30,381 related to the SHIP grant for the year ended June 30, 2021, which is included in noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

Note 14: 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 Health Center. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

On November 15, 2021, the Health Center received a \$95,514 grant from the Kansas Department of Health and Environment (KDHE) in connection with the Strengthening People and Revitalizing Kansas (SPARK) Frontline Hospital Workers Retention Plan as part of Kansas' share of the Coronavirus State and Local Recovery Fund. Certain conditions are required to be met to retain these funds. If the conditions are met, the funds will be retained by the Health Center with no repayment obligations. Management has attested to the requirements and believes the Health Center will retain a portion, if not all, of the stimulus payments.

On November 24, 2021, the Health Center received \$218,467 of additional stimulus funds from HHS as part of the American Rescue Plan (ARP) funding. Certain conditions are required to be met to retain these funds. If the conditions are met, the funds will be retained by the Health Center with no repayment obligations. Management has attested to the requirements and believes the Health Center will retain a portion, if not all, of the stimulus payments.

On December 16, 2021, the Health Center received \$102,781 of additional stimulus funds from HHS as part of the Phase 4 PRF funding. Certain conditions are required to be met to retain these funds. If the conditions are met, the funds will be retained by the Health Center with no repayment obligations. Management has attested to the requirements and believes the Health Center will retain a portion, if not all, of the stimulus payments.

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Note 15: 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 No. 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 Health Center is evaluating the impact the statement will have on the financial statements.

Supplementary Information

Rawlins County Health Center
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Comparison of Revenues and Expenses (Cash Basis) Actual to Tax Budget
Calendar Year Ended December 31, 2020

	Actual	Tax Budget	Actual Over (Under) Budget
Net patient service revenue	\$ 8,390,017	\$ 7,671,742	\$ 718,275
Other revenue	<u>759,525</u>	<u>470,794</u>	<u>288,731</u>
Total operating revenue	9,149,542	8,142,536	1,007,006
Operating expenses	<u>8,003,042</u>	<u>9,341,000</u>	<u>(1,337,958)</u>
Operating income (loss)	<u>1,146,500</u>	<u>(1,198,464)</u>	<u>2,344,964</u>
Property tax revenue	1,008,728	948,872	59,856
Other nonoperating revenues	<u>212,579</u>	<u>205,843</u>	<u>6,736</u>
Total nonoperating revenues	<u>1,221,307</u>	<u>1,154,715</u>	<u>66,592</u>
Excess (deficiency) of revenues over expenses	<u><u>\$ 2,367,807</u></u>	<u><u>\$ (43,749)</u></u>	<u><u>\$ 2,411,556</u></u>