

Independent Auditor's Report and Financial Statements
Goodland Regional Medical Center
December 31, 2019 and 2018

Contents

	Page
Independent Auditor's Report and Financial Statements	1
Financial Statements	
Statements of Net Position	3
Statements of Revenues, Expenses, and Changes in Net Position	4
Statements of Cash Flows	5
Notes to Financial Statements	7

Independent Auditor's Report

Board of Trustees
Goodland Regional Medical Center

We have audited the accompanying financial statements of the business-type activity of Goodland Regional Medical Center (Medical Center), a component unit of Sherman County, Kansas, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Medical 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 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 qualified audit opinion.

Basis for Qualified Opinion

The 2019 and 2018 financial statements referred to above do not include financial data of the Northwest Kansas Area Medical Foundation, Inc. (Foundation), a component unit of the Medical Center based on the nature and significance of the relationship between the Medical Center and the Foundation. Although the Medical Center does not have ownership of the assets of the Foundation, the financial data of the Foundation should be included in order to conform with accounting principles generally accepted in the United States of America. If the omitted component unit had been included for the years ended December 31, 2019 and 2018, the component unit's assets and net position would be approximately \$230,000 and \$256,000, respectively, and the decreases in net position would be approximately \$26,000 and \$20,000 for the years ended December 31, 2019 and 2018, respectively.

Qualified Opinion

In our opinion, except for the effects on the financial statements of the omission described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activity of Goodland Regional Medical Center as of December 31, 2019 and 2018, and the changes in its net 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

The Medical Center has omitted a 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 financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Wendling Mac Nelson & Johnson LLC

Topeka, Kansas
October 14, 2020

Financial Statements

Goodland Regional Medical Center
Statements of Net Position
December 31,

Assets

	<u>2019</u>	<u>2018</u>
Current assets		
Cash and invested cash	\$ 2,244,012	\$ 448,482
Patient accounts receivable, net of allowance for uncollectible accounts of \$1,548,079 in 2019 and \$911,000 in 2018 (Note A4)	2,383,161	2,178,094
Estimated settlements due from third-party payors (Note C)		850,792
Other receivables	117,106	211,873
Inventories (Note A5)	578,726	587,450
Prepaid expenses	<u>67,181</u>	<u>194,105</u>
Total current assets	<u>5,390,186</u>	<u>4,470,796</u>
Assets whose use is limited		
By Board of Trustees (Note D)	<u>645,294</u>	<u>786,816</u>
Capital assets - net (Notes A6 and F)	<u>3,682,166</u>	<u>4,443,587</u>
Deferred outflows of resources (Note E)	<u> </u>	<u>100,000</u>
Total assets	<u>\$ 9,717,646</u>	<u>\$ 9,801,199</u>

The accompanying notes are an integral part of these statements.

Liabilities and Net Position

	<u>2019</u>	<u>2018</u>
Current liabilities		
Current portion of capital lease obligations (Note G)	\$ 317,536	\$ 338,755
Accounts payable and other accrued expenses	912,776	862,716
Salaries, wages, and related withholdings payable	342,539	631,560
Accrued compensated absences	367,053	369,282
Estimated settlements due to third-party payors (Note C)	<u>482,685</u>	<u> </u>
Total current liabilities	2,422,589	2,202,313
Capital lease obligations, excluding current portion (Note G)	<u>1,313,203</u>	<u>1,630,738</u>
Total liabilities	<u>3,735,792</u>	<u>3,833,051</u>
Net position (Note A7)		
Invested in capital assets, net of related debt	2,051,427	2,574,094
Unrestricted	<u>3,930,427</u>	<u>3,394,054</u>
Total net position	<u>5,981,854</u>	<u>5,968,148</u>
Total liabilities and net position	<u>\$ 9,717,646</u>	<u>\$ 9,801,199</u>

Goodland Regional Medical Center
Statements of Revenues, Expenses, and Changes in Net Position
Year ended December 31,

	<u>2019</u>	<u>2018</u>
Operating revenues		
Net patient service revenue	\$ 19,042,140	\$ 20,763,913
Other	<u>1,711,152</u>	<u>2,209,922</u>
Total operating revenue	<u>20,753,292</u>	<u>22,973,835</u>
Operating expenses		
Salaries and wages	8,794,363	10,739,929
Employee benefits	2,039,045	2,398,416
Supplies	3,554,745	3,757,355
Purchased services	1,780,777	1,319,211
Professional fees	3,277,939	3,643,278
Lease expense	258,637	238,975
Utilities	319,011	312,886
Insurance	142,610	128,083
Travel	49,024	104,881
Other	352,862	802,990
Depreciation and amortization	<u>834,921</u>	<u>720,707</u>
Total operating expenses	<u>21,403,934</u>	<u>24,166,711</u>
Operating loss	<u>(650,642)</u>	<u>(1,192,876)</u>
Nonoperating revenues (expenses)		
County appropriations	631,600	632,350
Interest income	20,407	26,698
Interest expense	(40,443)	(46,277)
Gain (loss) on disposal of assets	(89,583)	2,844
Noncapital grants and contributions	<u>28,467</u>	<u>41,604</u>
Total nonoperating revenues (expenses), net	<u>550,448</u>	<u>657,219</u>
Expenses over revenues before capital grants and contributions	(100,194)	(535,657)
Capital contributions	<u>113,900</u>	<u>153,000</u>
Increase (decrease) in net position	13,706	(382,657)
Net position at beginning of year	<u>5,968,148</u>	<u>6,350,805</u>
Net position at end of year	<u>\$ 5,981,854</u>	<u>\$ 5,968,148</u>

The accompanying notes are an integral part of these statements.

**Goodland Regional Medical Center
Statements of Cash Flows
Year ended December 31,**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Receipts from and on behalf of patients	\$ 20,170,550	\$ 18,861,548
Payments to or on behalf of employees	(11,124,658)	(12,917,373)
Payments to suppliers	(9,381,286)	(10,018,191)
Other receipts and payments	<u>1,711,152</u>	<u>2,209,922</u>
Net cash provided (used) by operating activities	<u>1,375,758</u>	<u>(1,864,094)</u>
Cash flows from noncapital financing activities		
County appropriations	631,600	632,350
Noncapital grants and contributions	<u>28,467</u>	<u>41,604</u>
Net cash provided by noncapital financing activities	<u>660,067</u>	<u>673,954</u>
Cash flows from capital and related financing activities		
Purchase of capital assets	(136,047)	(2,490,605)
Contributions for purchase of capital assets	113,900	153,000
Proceeds from disposal of capital assets		2,844
Capital lease obligations incurred		1,957,075
Payments on capital lease obligations	(338,754)	(268,679)
Interest paid	<u>(40,443)</u>	<u>(42,556)</u>
Net cash used by capital and related financing activities	<u>(401,344)</u>	<u>(688,921)</u>
Cash flows from investing activities		
Student loans funded	(880)	(11,398)
Interest received	<u>20,407</u>	<u>26,698</u>
Net cash provided by investing activities	<u>19,527</u>	<u>15,300</u>
Increase (decrease) in cash and cash equivalents	1,654,008	(1,863,761)
Cash and cash equivalents at beginning of year	<u>1,235,298</u>	<u>3,099,059</u>
Cash and cash equivalents at end of year	<u>\$ 2,889,306</u>	<u>\$ 1,235,298</u>

The accompanying notes are an integral part of these statements.

**Goodland Regional Medical Center
Statements of Cash Flows - Continued
Year ended December 31,**

	<u>2019</u>	<u>2018</u>
Reconciliation of cash and cash equivalents to the statements of financial position		
Cash and cash equivalents included in current assets	\$ 2,244,012	\$ 448,482
Cash included in assets whose use is limited	<u>645,294</u>	<u>786,816</u>
	<u>\$ 2,889,306</u>	<u>\$ 1,235,298</u>
 Reconciliation of operating loss to net cash provided (used) by operating activities		
Operating loss	\$ (650,642)	\$ (1,192,876)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities		
Depreciation and amortization	834,921	720,707
Provision for bad debts	1,092,646	1,108,829
Amortization of student and other loans	9,073	5,389
Changes in		
Accounts receivable	(1,211,139)	(1,294,065)
Net amounts due to/from third-party payors	1,333,477	(1,672,792)
Inventories and prepaid expenses	135,648	(58,202)
Accounts payable and accrued expenses	<u>(168,226)</u>	<u>518,916</u>
Net cash provided (used) by operating activities	<u>\$ 1,375,758</u>	<u>\$ (1,864,094)</u>

The accompanying notes are an integral part of these statements.

Goodland Regional Medical Center
Notes to Financial Statements
December 31, 2019 and 2018

Note A - Description of Reporting Entity and Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Financial reporting entity

Goodland Regional Medical Center (Medical Center) is located in Goodland, Kansas, and operates a 25-bed hospital. The Medical Center also provides home health and rural health clinic services to the community. The Medical Center discontinued offering home health services effective August 31, 2019. The Medical Center is owned by Sherman County, Kansas (County), and is governed by a five-member Board of Trustees appointed by the County Commissioners. The Medical Center is a component unit of the County.

2. Basis of accounting

The Medical Center uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

3. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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 these estimates.

4. Patient accounts receivable

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

5. Inventories

Inventories are stated at the lower of cost as determined by the first-in, first-out method or net realizable value.

6. Capital assets

Capital assets (including assets recorded as capital leases) are stated at cost. Depreciation and amortization of capital assets is provided on the straight-line method over the estimated useful lives of the assets. The estimated lives used are generally in accordance with the guidelines established by the American Hospital Association.

The costs of maintenance and repairs are charged to operating expenses as incurred. The costs of significant additions, renewals, and betterments to depreciable properties are capitalized and depreciated over the remaining or extended estimated useful lives of the item or the properties. Gains and losses on disposition of capital assets are included in nonoperating revenues and expenses.

Goodland Regional Medical Center
Notes to Financial Statements - Continued
December 31, 2019 and 2018

Note A - Description of Reporting Entity and Summary of Significant Accounting Policies - Continued

7. Net position

Net position is classified in two components. "Net position invested in capital assets net of related debt" consists of capital assets net of accumulated depreciation and reduced by the balances of any outstanding 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 "invested in capital assets net of related debt."

8. Operating revenues and expenses

The statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services which is the Medical Center's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services other than financing costs.

9. Net patient service revenue

Net patient service revenue is reported at established charges with deductions for discounts, the provision for bad debts, and contractual adjustments, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

10. Charity care

The Medical Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

11. Grants and contributions

From time to time, the Medical Center receives grants and contributions from individuals and other organizations. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

12. Income taxes

The Medical Center is exempt from federal income taxes pursuant to Section 115 of the Internal Revenue Code.

13. Cash and cash equivalents

The Medical Center considers all highly-liquid investment instruments, including assets whose use is limited, purchased with a maturity of six months or less to be cash and cash equivalents.

Goodland Regional Medical Center
Notes to Financial Statements - Continued
December 31, 2019 and 2018

Note B - Charity Care

The Medical Center maintains records to identify and monitor the level of charity care it provides. The amount of charges foregone for services and supplies furnished under its charity care policy for 2019 and 2018, was \$150,579 and \$87,041, respectively. The Medical Center estimates that the cost of providing charity care, based on overall cost to charge ratios obtained from the Medical Center's cost reports, was \$83,000 and \$56,000 for 2019 and 2018, respectively.

Note C - Reimbursement Programs

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established charge rates. The amounts reported on the statements of net position as estimated settlements due to/from third-party payors consist of the estimated differences between the contractual amounts for providing covered services and the interim payments received for those services. A summary of the payment arrangements with major third-party payors follows:

Medicare - Services rendered to Medicare program beneficiaries are paid under the provisions applicable to critical access hospitals. Payments to the Medical Center under the critical access hospital provisions are primarily based on various cost reimbursement methodologies. Outpatient dialysis, home health, and physician services are generally paid at prospectively determined rates. The Medical Center is paid for cost reimbursable items at a tentative rate with the final settlement determined after submission of annual cost reports by the Medical Center and audits or reviews thereof by the Medicare administrative contractor. The Medical Center's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. The Medical Center's Medicare cost reports have been audited or reviewed by the Medicare administrative contractor through December 31, 2018.

Medicaid - Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. All other services rendered to Medicaid beneficiaries are also paid at prospective rates determined on either a per diem or fee-for-service basis. The Medical Center receives a hospital-specific add-on percentage to each claim based on previously filed cost reports. The Medical Center also receives disproportionate share hospital payments based on uncompensated care related to Medicaid and uninsured patients. Third-party contractual adjustments include approximately \$366,000 and \$375,000 of disproportionate share Medicaid payments received by the Medical Center for the years ended December 31, 2019 and 2018, respectively.

Blue Cross and Blue Shield - All services rendered to patients who are insured by Blue Cross and Blue Shield are paid on the basis of prospectively determined rates per discharge or discounts from established charges.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term.

Goodland Regional Medical Center
Notes to Financial Statements - Continued
December 31, 2019 and 2018

Note C - Reimbursement Programs - Continued

A summary of gross and net patient service revenue follows:

	<u>2019</u>	<u>2018</u>
Gross patient service revenue	\$ 35,771,576	\$ 34,695,184
Adjustments to patient service revenue		
Third-party contractual adjustments, discounts, and allowances	(15,486,211)	(12,735,401)
Provision for bad debts	(1,092,646)	(1,108,829)
Charity care	<u>(150,579)</u>	<u>(87,041)</u>
Net patient service revenue	<u>\$ 19,042,140</u>	<u>\$ 20,763,913</u>

Note D - Assets Whose Use is Limited by Board of Trustees

Assets whose use is limited by Board of Trustees consist of assets to be used for replacement of capital assets or for the purchase of additional capital assets. The funds may be used for other purposes by action of the Board of Trustees. Assets whose use is limited by the Board of Trustees consist of the following:

	<u>2019</u>	<u>2018</u>
Invested cash	\$ 645,294	\$ 786,770
Interest receivable	<u> </u>	<u>46</u>
	<u>\$ 645,294</u>	<u>\$ 786,816</u>

Note E - Deferred Outflows of Resources

Deferred outflows of resources represented the amount the Medical Center paid to purchase a home health agency Medicare provider number in late 2016, and placed in service on January 1, 2017. The purchase of the home health agency cost the Medical Center \$125,000. The deferred outflow of resources generated from the transaction was being amortized over a 10-year life. The Medical Center terminated the Medicare provider number in August of 2019. At that time, the net book value of the provider number was \$89,583 and was recorded as a loss on disposal of assets during the year ended December 31, 2019.

Goodland Regional Medical Center
Notes to Financial Statements - Continued
December 31, 2019 and 2018

Note F - Capital Assets

Medical Center capital assets additions, retirements, and balances are as follows:

	2019			
	<u>Beginning balance</u>	<u>Transfers and additions</u>	<u>Retirements</u>	<u>Ending balance</u>
Land and land improvements	\$ 285,748	\$ -	\$ -	\$ 285,748
Buildings	3,774,583			3,774,583
Fixed equipment	2,070,057	22,668		2,092,725
Major movable equipment	11,150,976	104,493		11,255,469
Construction in progress	69,991	(64,078)		5,913
Totals at historical cost	<u>17,351,355</u>	<u>63,083</u>	<u>-</u>	<u>17,414,438</u>
Less accumulated depreciation and amortization				
Land improvements	206,330	1,436	2,083	205,683
Buildings	3,184,066	56,196		3,240,262
Fixed equipment	1,322,889	85,222		1,408,111
Major movable equipment	8,194,483	683,733		8,878,216
Total accumulated depreciation and amortization	<u>12,907,768</u>	<u>826,587</u>	<u>2,083</u>	<u>13,732,272</u>
Capital assets, net	<u>\$ 4,443,587</u>	<u>\$ (763,504)</u>	<u>\$ (2,083)</u>	<u>\$ 3,682,166</u>
	2018			
	<u>Beginning balance</u>	<u>Transfers and additions</u>	<u>Retirements</u>	<u>Ending balance</u>
Land and land improvements	\$ 275,425	\$ 10,323	\$ -	\$ 285,748
Buildings	3,703,691	70,892		3,774,583
Fixed equipment	2,070,057			2,070,057
Major movable equipment	8,723,521	2,433,732	6,277	11,150,976
Construction in progress	25,090	44,901		69,991
Totals at historical cost	<u>14,797,784</u>	<u>2,559,848</u>	<u>6,277</u>	<u>17,351,355</u>
Less accumulated depreciation and amortization				
Land improvements	205,313	1,017		206,330
Buildings	3,123,362	60,704		3,184,066
Fixed equipment	1,236,576	86,313		1,322,889
Major movable equipment	7,640,587	560,173	6,277	8,194,483
Total accumulated depreciation and amortization	<u>12,205,838</u>	<u>708,207</u>	<u>6,277</u>	<u>12,907,768</u>
Capital assets, net	<u>\$ 2,591,946</u>	<u>\$ 1,851,641</u>	<u>\$ -</u>	<u>\$ 4,443,587</u>

Goodland Regional Medical Center
Notes to Financial Statements - Continued
December 31, 2019 and 2018

Note G - Leases

The Medical Center leases certain property and equipment under long-term lease arrangements. Capital assets and accumulated depreciation and amortization include the following amounts for leases that have been capitalized:

	<u>2019</u>
Movable equipment	\$ 2,350,997
Less accumulated amortization	<u>723,667</u>
	<u>\$ 1,627,330</u>

The following is a schedule of future minimum lease payments under capital leases:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 317,536	\$ 33,583	\$ 351,119
2021	268,491	26,814	295,305
2022	246,983	21,143	268,126
2023	252,648	15,477	268,125
2024	258,410	9,715	268,125
Thereafter	<u>286,671</u>	<u>3,798</u>	<u>290,469</u>
	<u>\$ 1,630,739</u>	<u>\$ 110,530</u>	<u>\$ 1,741,269</u>

The following is a summary of changes in capital lease obligations:

Principal outstanding at January 1, 2018	\$ 281,097
2018 Capital lease obligations incurred	1,957,075
2018 Principal payments on capital lease obligations	<u>(268,679)</u>
Principal outstanding at December 31, 2018	1,969,493
2019 Principal payments on capital lease obligations	<u>(338,754)</u>
Principal outstanding at December 31, 2019	<u>\$ 1,630,739</u>

The Medical Center leases equipment on a month-to-month basis. Total lease expense under all operating leases was approximately \$259,000 and \$239,000 for 2019 and 2018, respectively.

Goodland Regional Medical Center
Notes to Financial Statements - Continued
December 31, 2019 and 2018

Note H - Risk Management

The Medical Center is insured for professional liability under a comprehensive hospital liability policy provided by an independent insurance carrier with limits of \$200,000 per occurrence up to an annual aggregate of \$600,000 for all claims made during the policy year. The Medical Center is further covered by the Kansas Health Care Stabilization Fund for claims in excess of its comprehensive hospital liability policy up to \$800,000 pursuant to any one judgment or settlement against the Medical Center for any one party, subject to an aggregate limitation for all judgments or settlements arising from all claims made in the policy year in the amount of \$2,400,000. All coverage is on a claims-made basis. The above policies are currently in effect through February 15, 2021. The Medical Center intends to renew this coverage on that date and is aware of no reason why such coverage would be denied at that time.

In addition to the risk disclosed elsewhere in these financial statements and notes thereto, the Medical Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Medical Center purchases commercial insurance for these risks.

Note I - Deposits with Financial Institutions

Kansas statutes authorize the Medical Center, with certain restrictions, to deposit or invest in open accounts, time deposits, certificates of deposit, repurchase agreements, the State Treasurer's investment pool, and U.S. Treasury bills and notes. Also, statutes require that financial institutions pledge securities with a market value equal to total deposits in excess of F.D.I.C. coverage at any given time and the securities pledged be deposited with a Kansas state or national bank or trust company, the Federal Reserve Bank, the Federal Home Loan Bank, or the Kansas State Treasurer.

The carrying amount of the Medical Center's deposits with financial institutions was \$2,889,051, and the bank balance was \$2,967,107 at December 31, 2019. The bank balance is categorized as follows at December 31, 2019:

Amount insured by the F.D.I.C., or collateralized with securities held by the Medical Center or by its agent in the Medical Center's name	\$ 2,748,710
Uncollateralized (amount collateralized with securities held in safekeeping by an authorized depository other than the pledging financial institution's trust department, but not in the Medical Center's name)	<u>218,397</u>
	<u>\$ 2,967,107</u>

Note J - Pension Plan

The Medical Center provides pension benefits for certain full-time employees through a defined contribution pension plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The payroll for employees covered by the plan for 2019 and 2018 was approximately \$6,732,000 and \$7,524,000, respectively. The total payroll for 2019 and 2018 was approximately \$8,794,000 and \$10,740,000, respectively.

**Goodland Regional Medical Center
Notes to Financial Statements - Continued
December 31, 2019 and 2018**

Note J - Pension Plan - Continued

Employees must be at least 21 years of age to be eligible to participate. All employees must have completed one year of service at the Medical Center to be eligible. The plan provides that the employee contribute 2 percent of the employee's annual salary and the Medical Center contribute 4 percent of the employee's annual salary. Contributions to the plan made by an employee vest immediately and contributions to the plan made by the Medical Center vest based upon the plan vesting schedule and the employee's years of service with the Medical Center. The contribution for 2019 was approximately \$397,000, which consisted of approximately \$263,000 from the Medical Center and approximately \$134,000 from the employees. These contributions represented 4 percent and 2 percent of covered payroll, respectively. The contribution for 2018 was approximately \$448,000, which consisted of approximately \$298,000 from the Medical Center and approximately \$150,000 from the employees. Contributions to the plan are invested in annuity contracts with an insurance company.

Note K - Employee and Dependent Health Insurance Plan

The Medical Center sponsors an employee benefit plan which provides partially self-insured employee and dependent health insurance benefits for which substantially all full-time employees of the Medical Center are eligible. The Medical Center has agreed to fund the plan for annual costs and expenses of the plan including costs of benefits and insurance premiums and to withhold and remit to the plan any required employee contributions.

The Medical Center has reinsured a portion of its risk for health insurance claims of its employees. The reinsurance arrangement generally covers claims totaling over \$50,000 for each covered individual on an annual basis. The reinsurance arrangement also provides annual aggregate claims coverage for the Medical Center. The Medical Center has appointed an independent third party to provide administrative services to the plan which include review and payment of claims.

The following is a summary of the activity under this arrangement:

	<u>2019</u>	<u>2018</u>
Estimated liability for employee health insurance claims at the beginning of the year	\$ 161,092	\$ 15,425
Provision for Medical Center's share of incurred claims and reinsurance expense for the year, net of any reinsurance proceeds	576,476	986,321
Employee contributions	296,578	309,326
Payments made for claims and related expenses	<u>(927,054)</u>	<u>(1,149,980)</u>
Estimated liability for employee health insurance claims at the end of the year	<u>\$ 107,092</u>	<u>\$ 161,092</u>

Note L - Related Party Transactions

Sherman County levies and collects property taxes for the benefit of the Medical Center. The Medical Center received \$631,600 and \$632,350 in tax appropriations from Sherman County in 2019 and 2018, respectively. The Medical Center also received \$30,900 and \$20,102 in contributions from the Foundation during 2019 and 2018, respectively.

Goodland Regional Medical Center
Notes to Financial Statements - Continued
December 31, 2019 and 2018

Note M - Subsequent Events

The Medical Center has evaluated subsequent events through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

Subsequent to year-end, the Medical Center has been negatively impacted by the effects of the worldwide coronavirus pandemic. The Medical Center is closely monitoring its liquidity and has received grant funding through the CARES Act and has also qualified for a Paycheck Protection Program loan. These grants and programs will assist the Medical Center in maintaining liquidity until operations return to normal. The Medical Center's financial statements do not include any adjustments that may have resulted from this event.

