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

## Independent Auditor's Report
## and Financial Statements

December 31, 2023 and 2022

**Gove County Medical Center**
**A Component Unit of Gove County, Kansas**
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**December 31, 2023 and 2022**


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# Independent Auditor's Report

Board of Trustees
Gove County Medical Center
Quinter, Kansas

## *Opinion*

We have audited the financial statements of Gove County Medical Center, a component unit of Gove County, Kansas, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise Gove County Medical Center's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Gove County Medical Center as of December 31, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## *Basis for Opinion*

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

## *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## *Auditor's Responsibilities for the Audit of the Financial Statements*

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

In performing an audit in accordance with GAAS, we:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Gove County Medical Center's internal control. Accordingly, no such opinion is expressed.

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

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

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

## *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the pension and other postemployment benefit be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

### *Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Gove County Medical Center's basic financial statements. The net patient service revenue, contractual adjustments, charity care and other operating revenue, and operating expenses schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the net patient service revenue, contractual adjustments, charity care and other operating revenue, and operating expenses schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Forvis Mazars, LLP

**Wichita, Kansas**
**February 24, 2025**

**Gove County Medical Center**
**A Component Unit of Gove County, Kansas**
**Balance Sheets**
**December 31, 2023 and 2022**

| | 2023 | 2022 |
|---|---|---|
| **Assets and Deferred Outflows of Resources** | | |
| **Current Assets** | | |
| Cash | $ 4,210,090 | $ 4,928,963 |
| Short-term investments | 103,074 | 99,258 |
| Patient accounts receivable, net of allowance; 2023 - $416,723; 2022 - $117,000 | 2,759,867 | 3,188,187 |
| Estimated amounts due from third-party payers | 54,000 | 735,000 |
| Supplies | 470,781 | 249,045 |
| Prepaid expenses and other | 136,504 | 171,767 |
| Sales taxes receivable | - | 199,645 |
| **Total Current Assets** | 7,734,316 | 9,571,865 |
| **Capital Assets, Net** | 5,123,243 | 5,611,233 |
| **Other Assets** | 288,036 | 627,431 |
| **Total Assets** | 13,145,595 | 15,810,529 |
| **Deferred Outflows of Resources** | | |
| Pension | 2,498,374 | 3,208,922 |
| Other postemployment benefits | 4,497 | 5,309 |
| Total deferred outflows of resources | 2,502,871 | 3,214,231 |
| Total assets and deferred outflows of resources | $ 15,648,466 | $ 19,024,760 |

*See Notes to Financial Statements*

| | 2023 | 2022 |
|---|---|---|
| **Liabilities, Deferred Inflows of Resources and Net Position** | | |
| **Current Liabilities** | | |
| Current maturities of long-term debt | $ 250,924 | $ 241,764 |
| Accounts payable | 689,534 | 641,395 |
| Accrued expenses | 585,817 | 482,709 |
| Accrued vacation pay | 231,074 | 256,545 |
| Total current liabilities | 1,757,349 | 1,622,413 |
| **Long-term Debt** | 388,158 | 639,082 |
| **Net Pension Liability** | 7,262,506 | 7,680,730 |
| **Total Other Postemployment Benefits Liability** | 69,446 | 72,700 |
| **Total Liabilities** | 9,477,459 | 10,014,925 |
| **Deferred Inflows of Resources** | | |
| Pension | 696,574 | 323,692 |
| Other postemployment benefits | 148,564 | 151,336 |
| **Total Deferred Inflows of Resources** | 845,138 | 475,028 |
| **Net Position** | | |
| Net investment in capital assets | 4,484,161 | 4,730,387 |
| Unrestricted | 841,708 | 3,804,420 |
| **Total Net Position** | 5,325,869 | 8,534,807 |
| **Total Liabilities, Deferred Inflows of Resources and Net Position** | $ 15,648,466 | $ 19,024,760 |

**Gove County Medical Center**
**A Component Unit of Gove County, Kansas**
**Statements of Revenues, Expenses and Changes in Net Position**
**Years Ended December 31, 2023 and 2022**

| | 2023 | 2022 |
|---|---|---|
| **Operating Revenues** | | |
| Net patient service revenue, net of provision for uncollectible accounts; 2023 - $122,750, 2022 - $250,919 | $ 13,827,343 | $ 16,536,857 |
| Other | 333,744 | 551,587 |
| **Total Operating Revenues** | 14,161,087 | 17,088,444 |
| **Operating Expenses** | | |
| Salaries and wages | 7,517,046 | 8,319,675 |
| Employee benefits | 3,608,161 | 3,692,960 |
| Purchased services and professional fees | 4,689,033 | 4,146,237 |
| Drugs | 266,535 | 552,638 |
| Medical and surgical supplies | 407,832 | 525,231 |
| Utilities | 249,767 | 301,609 |
| Repairs and maintenance | 418,970 | 390,048 |
| Supplies and other | 1,931,457 | 1,881,547 |
| Depreciation | 859,393 | 830,350 |
| **Total Operating Expenses** | 19,948,194 | 20,640,295 |
| **Operating Loss** | (5,787,107) | (3,551,851) |
| **Nonoperating Revenues (Expenses)** | | |
| Noncapital appropriations - Gove County | 1,355,923 | 1,262,466 |
| Sales tax revenue | 942,239 | 852,705 |
| Interest income | 250,413 | 130,809 |
| Interest expense | (27,880) | (37,018) |
| Provider Relief Funds (*CARES Act*) | - | 415,426 |
| Noncapital grants and gifts | 57,474 | 347,859 |
| **Total Nonoperating Revenues** | 2,578,169 | 2,972,247 |
| **Decrease in Net Position** | (3,208,938) | (579,604) |
| **Net Position, Beginning of Year** | 8,534,807 | 9,114,411 |
| **Net Position, End of Year** | $ 5,325,869 | $ 8,534,807 |

**Gove County Medical Center**
**A Component Unit of Gove County, Kansas**
**Statements of Cash Flows**
**Years Ended December 31, 2023 and 2022**

| | 2023 | 2022 |
|---|---|---|
| **Cash Flows From Operating Activities** | | |
| Receipts from and on behalf of patients | $ 14,936,663 | $ 14,318,223 |
| Payments to suppliers and contractors | (7,762,533) | (7,222,181) |
| Payments to employees | (10,387,578) | (11,787,669) |
| Other receipts, net | 494,679 | 87,770 |
| **Net Cash Used in Operating Activities** | (2,718,769) | (4,603,857) |
| **Cash Flows From Noncapital Financing Activities** | | |
| Noncapital appropriations - Gove County | 1,355,923 | 1,262,466 |
| Sales tax revenue | 1,141,884 | 714,909 |
| Provider Relief Funds (*CARES Act*) | - | 415,426 |
| Noncapital grants and gifts | 57,474 | 347,859 |
| **Net Cash Provided by Noncapital Financing Activities** | 2,555,281 | 2,740,660 |
| **Cash Flows From Capital and Related Financing Activities** | | |
| Principal paid on long-term debt | (241,764) | (232,979) |
| Interest paid on long-term debt | (27,880) | (37,018) |
| Purchase of capital assets | (532,338) | (1,100,867) |
| **Net Cash Used in Capital and Related Financing Activities** | (801,982) | (1,370,864) |
| **Cash Flows From Investing Activities** | | |
| Interest income | 250,413 | 130,809 |
| Purchase of investments | (3,816) | (99,258) |
| **Net Cash Provided by Investing Activities** | 246,597 | 31,551 |
| **Decrease in Cash** | (718,873) | (3,202,510) |
| **Cash, Beginning of Year** | 4,928,963 | 8,131,473 |
| **Cash, End of Year** | $ 4,210,090 | $ 4,928,963 |

**Gove County Medical Center**
**A Component Unit of Gove County, Kansas**
**Statements of Cash Flows (Continued)**
**Years Ended December 31, 2023 and 2022**

| | 2023 | 2022 |
|---|---|---|
| **Reconciliation of Operating Loss to Net Cash Used in Operating Activities** | | |
| Operating loss | $ (5,787,107) | $ (3,551,851) |
| Depreciation | 859,393 | 830,350 |
| Loss on disposal of capital assets | 160,935 | - |
| Changes in operating assets and liabilities | | |
| Patient accounts receivable, net | 428,320 | 256,359 |
| Estimated amounts due from and to third-party payers | 681,000 | (1,095,000) |
| Accounts payable and accrued expenses | 125,776 | (98,694) |
| Unearned revenue | - | (463,817) |
| Advance from Medicare | - | (1,379,993) |
| Net pension liability | (418,224) | 2,703,732 |
| Total other postemployment benefits liability | (3,254) | (44,509) |
| Deferred outflows of resources - pension and OPEB | 711,360 | (701,960) |
| Deferred inflows of resources - pension and OPEB | 370,110 | (1,438,043) |
| Other assets and liabilities | 152,922 | 379,569 |
| **Net Cash Used in Operating Activities** | $ (2,718,769) | $ (4,603,857) |

## Note 1. Nature of Operations and Summary of Significant Accounting Policies

### *Nature of Operations and Reporting Entity*

Gove County Medical Center (Hospital) is an acute care hospital located in Quinter, Kansas. The Hospital is a component unit of Gove County, Kansas (County), and the Board of County Commissioners appoints members to the Board of Trustees of the Hospital. The Hospital primarily earns revenues by providing inpatient, outpatient, long-term care and emergency care services to patients in the Gove County area. Effective June 2, 2023, the Hospital closed its long-term care unit.

### *Basis of Accounting and Presentation*

The financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific such as county appropriations, sales taxes, interest income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Hospital first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### *Cash Equivalents*

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2023 and 2022, there were no cash equivalents.

### *Noncapital Appropriations – Gove County and Sales Tax Revenue*

The Hospital received approximately 14% and 11% of its financial support from the proceeds of noncapital appropriations from Gove County and sales taxes in 2023 and 2022, respectively. One hundred percent of these funds were used to support operations in both years.

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

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

### *Risk Management*

The Hospital is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; workers' compensation; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

### *Patient Accounts Receivable*

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

### *Supplies*

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

### *Capital Assets*

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the Hospital:

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

### *Capital Asset Impairment*

The Hospital evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment loss. No asset impairment was recognized during the years ended December 31, 2023 and 2022.

### *Other Assets*

The Hospital has entered into income guarantee arrangements with two physicians. Under the agreements, if the physicians maintain a full-time medical practice in Gove County for three years following the end of the income guarantee period, the amounts advanced will be forgiven on a pro-rata basis. If the physicians do not maintain a primary medical practice in Gove County for the required time period, any amounts not previously forgiven become immediately due and payable to the hospital.

### *Deferred Outflows of Resources*

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

### *Compensated Absences*

Hospital policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as Social Security and Medicare taxes computed using rates in effect at that date.

### *Subscription Assets*

Effective January 1, 2023, the Hospital adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA). Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at or before the commencement of the SBITA term, less any SBITA vendor incentives received from the SBITA vendor at or before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset. This Statement required a retrospective transition method using the facts and circumstances that existed at the beginning of the earliest year presented. The Hospital's SBITA's that were in effect during the years ended December 31, 2023 and 2022, are immaterial to the financial statements, as a result there are no subscription assets or subscription liabilities recorded on the balance sheets.

### *Cost-Sharing Defined Benefit Pension Plan*

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

### *Defined Benefit Other Postemployment Benefit Plan*

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

### *Deferred Inflows of Resources*

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

### *Net Position*

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

- Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.

- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets.

### *Net Patient Service Revenue*

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

### *Charity Care*

The Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

### *Provider Relief Funds (CARES Act)*

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

### *Income Taxes*

As an essential government function of the County, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

## Note 2. Deposits

### *Deposits*

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

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

At December 31, 2023 and 2022, $3,581,869 and $4,756,735 of the Hospital's bank balances of $4,117,243 and $5,114,171, respectively, were exposed to custodial credit risk as follows:

| | 2023 | 2022 |
|---|---|---|
| Uninsured and collateral held by pledging financial institution's trust department or agent in other than the Hospital's name | $ 3,581,869 | $ 4,756,735 |

### *Investments*

The Hospital may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest to a limited extent in corporate bonds and equity securities.

At December 31, 2023 and 2022, the Hospital had $103,074 and $99,258, respectively, of investments with a maturity date of less than one year.

### *Summary of Carrying Values*

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

| | 2023 | 2022 |
|---|---|---|
| Carrying value | | |
| Deposits | $ 4,209,793 | $ 4,928,663 |
| Cash on hand | 297 | 300 |
| Investments | 103,074 | 99,258 |
| | $ 4,313,164 | $ 5,028,221 |
| Included in the following balance sheet captions | | |
| Cash | $ 4,210,090 | $ 4,928,963 |
| Short-term investments | 103,074 | 99,258 |
| | $ 4,313,164 | $ 5,028,221 |

## Note 3. Patient Accounts Receivable

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

| | 2023 | 2022 |
|---|---|---|
| Medicare | $ 1,761,135 | $ 1,335,209 |
| Medicaid | 89,153 | 195,460 |
| Blue Cross | 346,193 | 644,848 |
| Other third-party payers | 298,831 | 411,809 |
| Patients | 681,278 | 717,861 |
| | 3,176,590 | 3,305,187 |
| Less allowance for uncollectible accounts | 416,723 | 117,000 |
| | $ 2,759,867 | $ 3,188,187 |

## Note 4. Capital Assets

Capital assets activity for the years ended December 31 was:

| | 2023 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Disposals | Transfers | Ending Balance |
| Land | $ 220,596 | $ - | $ - | $ - | $ 220,596 |
| Land improvements | 97,694 | - | - | - | 97,694 |
| Buildings and leasehold improvements | 7,468,403 | - | (15,475) | - | 7,452,928 |
| Fixed equipment | 4,203,326 | - | (12,582) | - | 4,190,744 |
| Major moveable equipment | 5,848,648 | 138,361 | (428,110) | 198,961 | 5,757,860 |
| Construction in progress | 250,769 | 393,977 | - | (198,961) | 445,785 |
| | 18,089,436 | 532,338 | (456,167) | - | 18,165,607 |
| Less accumulated depreciation | | | | | |
| Land improvements | 93,693 | 1,599 | - | - | 95,292 |
| Buildings and leasehold improvements | 5,706,622 | 239,842 | (6,019) | - | 5,940,445 |
| Fixed equipment | 2,409,420 | 244,636 | (11,534) | - | 2,642,522 |
| Major moveable equipment | 4,268,468 | 373,316 | (277,679) | - | 4,364,105 |
| | 12,478,203 | 859,393 | (295,232) | - | 13,042,364 |
| Capital Assets, Net | $ 5,611,233 | $ (327,055) | $ (160,935) | $ - | $ 5,123,243 |

| | 2022 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Disposals | Transfers | Ending Balance |
| Land | $ 220,596 | $ - | $ - | $ - | $ 220,596 |
| Land improvements | 97,694 | - | - | - | 97,694 |
| Buildings and leasehold improvements | 7,302,071 | 126,082 | - | 40,250 | 7,468,403 |
| Fixed equipment | 4,203,326 | - | - | - | 4,203,326 |
| Major moveable equipment | 5,045,689 | 724,016 | (7,800) | 86,743 | 5,848,648 |
| Construction in progress | 126,993 | 250,769 | - | (126,993) | 250,769 |
| | 16,996,369 | 1,100,867 | (7,800) | - | 18,089,436 |
| Less accumulated depreciation | | | | | |
| Land improvements | 91,953 | 1,740 | - | - | 93,693 |
| Buildings and leasehold improvements | 5,469,666 | 236,956 | - | - | 5,706,622 |
| Fixed equipment | 2,152,539 | 256,881 | - | - | 2,409,420 |
| Major moveable equipment | 3,941,495 | 334,773 | (7,800) | - | 4,268,468 |
| | 11,655,653 | 830,350 | (7,800) | - | 12,478,203 |
| Capital Assets, Net | $ 5,340,716 | $ 270,517 | $ - | $ - | $ 5,611,233 |

## Note 5. Long-term Obligations

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

| | 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Beginning Balance | Additions | Payments | Ending Balance | Amounts Due Within One Year | Long-term Portion |
| Long-term Debt | | | | | | |
| Note payable – County | $ 111,310 | $ - | $ 27,827 | $ 83,483 | $ 27,827 | $ 55,656 |
| Financed capital purchases | 769,536 | - | 213,937 | 555,599 | 223,097 | 332,502 |
| Total long-term obligations | $ 880,846 | $ - | $ 241,764 | $ 639,082 | $ 250,924 | $ 388,158 |

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Beginning Balance | Additions | Payments | Ending Balance | Amounts Due Within One Year | Long-term Portion |
| Long-term Debt | | | | | | |
| Note payable – County | $ 139,137 | $ - | $ 27,827 | $ 111,310 | $ 27,827 | $ 83,483 |
| Financed capital purchases | 974,688 | - | 205,152 | 769,536 | 213,937 | 555,599 |
| Total long-term obligations | $ 1,113,825 | $ - | $ 232,979 | $ 880,846 | $ 241,764 | $ 639,082 |

### *Note Payable – County – 2016*

The note payable – County – 2016 consists of an agreement with the County to repay on its behalf revenue bonds in the original amount of $278,275 dated March 21, 2016. These bonds were purchased in their entirety by Western Cooperative Electric at their par value with no interest due on these bonds pursuant to a Rural Economic Development Loan and Grant Program. The proceeds from this loan were used to complete a renovation of the HVAC system at the Hospital. The bonds are payable in annual installments through March 30, 2026. The Hospital is required to make annual payments of $27,827 to the debt service fund held by the trustee.

The debt service requirements as of December 31, 2023, are as follows:

| Year Ending December 31, | Total to be Paid | Principal | Interest |
|---|---|---|---|
| 2024 | $ 27,827 | $ 27,827 | $ - |
| 2025 | 27,827 | 27,827 | - |
| 2026 | 27,829 | 27,829 | - |
| | $ 83,483 | $ 83,483 | $ - |

### *Financed Capital Purchases*

Financed capital purchases are in the form of a note payable to bank, with a maturity date of May 15, 2026. Principal and interest is payable monthly. The interest rate is 4.20%. The note is secured by certain capital assets.

The debt service requirements as of December 31, 2023, are as follows:

| Year Ending December 31, | Total to be Paid | Principal | Interest |
|---|---|---|---|
| 2024 | $ 242,170 | $ 223,097 | $ 19,073 |
| 2025 | 242,170 | 232,649 | 9,521 |
| 2026 | 100,904 | 99,853 | 1,051 |
| | $ 585,244 | $ 555,599 | $ 29,645 |

## Note 6. Medical Malpractice Coverage and Claims

The Hospital purchases medical malpractice insurance which provides $500,000 of coverage for each medical incident and $1,500,000 of aggregate coverage for each policy year. The policy is claims-made, which only covers claims made and reported to the insurer during the policy term, regardless of when the incident giving rise to the claim occurred. The Kansas Health Care Stabilization Fund provides an additional $500,000 of coverage for each medical incident and $1,500,000 of aggregate coverage for each policy year.

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

## Note 7. Net Patient Service Revenue

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

*Medicare.* The Hospital is recognized as a CAH. Under CAH rules, inpatient acute care, skilled swing-bed and certain outpatient services rendered to Medicare program beneficiaries are paid at one hundred one percent (101%) of allowable cost subject to certain limitations. Other outpatient services related to Medicare beneficiaries are paid based on a combination of fee schedules and cost reimbursement methodologies. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor.

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

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

Approximately 69% and 64% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2023 and 2022, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Hospital has also entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

## Note 8. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

### *Plan Description*

The Kansas Public Employees Retirement System Plan is an umbrella organization administering the following three statewide retirement systems under one plan as provided by K.S.A. 74, Article 49: *Kansas Public Employees Retirement System (KPERS), Kansas Police and Fire Retirement System and Kansas Retirement System for Judges*.

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

KPERS makes separate calculations for pension-related amounts for the following four groups participating in the plan:

- State/School
- Local
- Police and Firemen
- Judges

The Hospital's employees participate in the Local group.

### *Benefits Provided*

Retirement benefits for employees are calculated based on the credited service, final average salary and a statutory multiplier. KPERS has two levels of benefits depending on retirement age and years of credited service. Tier 1 benefits are for members who are age 65 or age 62 with ten years of credited service or of any age when combined age and years of credited service equal 85 "points." Tier 2 benefits are for members who are age 65 with five years of credited service or age 60 with 30 years of credited service. Tier 1 members receive a participating service credit of 1.75% of the final average salary for years of service prior to January 1, 2014. Participating service credit is 1.85% of final average salary for years of service after December 31, 2013. Tier 2 members retiring on or after January 1, 2012, participating service credit is 1.85% for all years of service.

Early retirement is permitted at the age of 55 and ten years of credited service. Benefits are reduced by 0.2% per month for each month between the ages of 60-62, plus 0.6% for each month between the ages of 55 and 60 for Tier 1 members. For Tier 2 members, benefits are reduced actuarially for each early commencement. The reduction factor is 35% at the age of 60 and 57.5% at age 55. If the member has 30 years of credited service, the early retirement reduction is less (50% of regular reduction). The plan also provides disability and death benefits to plan members and their beneficiaries.

The terms of the plan provide for annual 2% cost-of-living adjustment for Tier 2 members who retired prior to July 1, 2012, beginning the later of age of 65 or the second July 1 after retirement date. Other participants do not receive a cost-of-living adjustment.

### *Contributions*

The law governing KPERS requires an actuary to make an annual valuation of the liabilities and reserves and a determination of the contributions required to discharge the KPERS liabilities. The actuary then recommends to the KPERS Board of Trustees the statewide employer-contribution rates required to maintain the three systems on the actuarial reserve basis. Prior to January 1, 2014, Tier 1 participants were required to contribute 4% of their annual pay. Effective January 1, 2014, the rate was raised to 5% with an increase in the benefit multiplier to 1.85% beginning January 1, 2014, for future years of service only. Effective January 1, 2015, the contribution rate was raised to 6%. Tier 2 participants are required to contribute 6% of compensation. The Hospital's contractually required contribution rate for the years ended December 31, 2023 and 2022, was 8.43% and 8.90% of annual payroll, respectively. The employer contribution is actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The Hospital's contributions to KPERS for pensions for the years ended December 31, 2023 and 2022, were $582,234 and $686,614, respectively.

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

At December 31, 2023 and 2022, the Hospital reported a liability of $7,262,506 and $7,680,730, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023 and 2022, respectively, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of December 31, 2022 and 2021, respectively, rolled forward to June 30, 2023 and 2022, respectively. The Hospital's proportion of the net pension liability was based on the ratio of the Hospital's actual contributions to total employer and nonemployer actual contributions of the group for the respective measurement periods. At June 30, 2023, the Hospital's proportion was 0.346179%, which was a decrease of 0.040167% from its proportion measured as of June 30, 2022, of 0.386346%. At June 30, 2021, the proportion was 0.414765%.

For the years ended December 31, 2023 and 2022, the Hospital recognized pension expense of $1,249,457 and $1,198,048, respectively. At December 31, 2023 and 2022, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | 2023 | |
|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ 603,723 | $ 1,023 |
| Net difference between projected and actual earnings on pension plan investments | 424,171 | - |
| Changes of assumptions | 769,725 | - |
| Changes in proportion | 430,698 | 695,551 |
| Hospital's contributions subsequent to the measurement date | 270,057 | - |
| Total | $ 2,498,374 | $ 696,574 |

| | 2022 | |
|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ 290,517 | $ 13,767 |
| Net difference between projected and actual earnings on pension plan investments | 650,173 | - |
| Changes of assumptions | 1,227,720 | - |
| Changes in proportion | 702,975 | 309,925 |
| Hospital's contributions subsequent to the measurement date | 337,537 | - |
| Total | $ 3,208,922 | $ 323,692 |

At December 31, 2023, the Hospital reported $270,057 as deferred outflows of resources related to pension contributions made subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2023, related to pensions will be recognized in pension expense as follows:

| | |
|---|---|
| 2024 | $ 644,409 |
| 2025 | 328,133 |
| 2026 | 562,121 |
| 2027 | (2,639) |
| 2028 | (281) |
| | $ 1,531,743 |

### *Actuarial Assumptions*

The total pension liability in the December 31, 2022 and 2021, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | 2022 | 2021 |
|---|---|---|
| Price inflation | 2.75% | 2.75% |
| Salary increases, including inflation | 3.50% to 12% | 3.50% to 12% |
| Investment rate of return, net of pension plan investment expense, including inflation | 7.00% | 7.00% |

Mortality rates were based on the RP-2014 Healthy Annuitant Table for males or females, as appropriate with adjustments for mortality improvements based on Scale MP-16 for the December 31, 2022 and 2021, actuarial valuations.

The actuarial assumptions used in the December 31, 2022 and 2021, valuations were based on the results of an actuarial experience study for the three-year period ended December 31, 2018, respectively.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| Asset Class | Target Allocation | Long-term Expected Real Rate of Return | Target Allocation | Long-term Expected Real Rate of Return |
| U.S. equities | 23.5% | 5.20% | 23.5% | 5.20% |
| Non-U.S. equities | 23.5% | 6.40% | 23.5% | 6.40% |
| Private equity | 8.0% | 9.50% | 8.0% | 9.50% |
| Private real estate | 11.0% | 4.45% | 11.0% | 4.45% |
| Yield driven | 8.0% | 4.70% | 8.0% | 4.70% |
| Real return | 11.0% | 3.25% | 11.0% | 3.25% |
| Fixed income | 11.0% | 1.55% | 11.0% | 1.55% |
| Short-term investments | 4.0% | 0.25% | 4.0% | 0.25% |
| | 100.0% | | 100.0% | |

### *Discount Rate*

The discount rate used to measure the total pension liability was 7.00% for the years ended June 30, 2023 and 2022. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the contractually required rate. Participating employer contributions do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by KPERS' Board of Trustees for these groups may not increase by more than the statutory cap. The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### *Sensitivity of the Hospital's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The Hospital's proportionate share of the net pension liability has been calculated using a discount rate of 7.00%. The following presents the Hospital's proportionate share of the net pension liability calculated using a discount rate 1% higher and 1% lower than the current rate as of December 31, 2023:

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|---|---|---|
| Hospital's proportionate share of the net pension liability | $ 10,413,659 | $ 7,262,506 | $ 4,637,268 |

### *Pension Plan Fiduciary Net Position*

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

## Note 9. Other Postemployment Benefit Plan

### *Plan Description*

The Hospital contributes to the KPERS Long-Term Disability plan (the OPEB Plan), a single-employer defined benefit other postemployment benefit (OPEB) plan covering substantially all employees. The OPEB Plan is administered by a board of trustees appointed by KPERS. The OPEB Plan's assets are not accumulated in a qualified trust because contributions from the employer to the OPEB plan and earnings on those contributions are not irrevocable. Benefit provisions are contained in the plan document and were established and can be amended by action of the KPERS's governing body. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

### *Benefits Provided*

The OPEB Plan provides LTD and life insurance benefits to eligible disabled members. Benefits provided are self-funded, and the full cost of the benefits is covered by the OPEB Plan. The monthly benefit is 60% of the member's monthly rate of compensation, with a minimum of $100 and a maximum of $5,000. The monthly benefit is subject to reduction by deductible sources of income, which include Social Security primary disability or retirement benefits, worker's compensation benefits, other disability benefits from any other source by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while disability continues until the member's 65th birthday or retirement date, whichever first occurs. If the disability occurs at or after age 60, benefits are payable while disability continues, for a period of five years or until the date of the member's retirement, whichever first occurs. Upon the death of a member who is receiving monthly disability benefits, the plan will pay a lump sum benefit to eligible beneficiaries. The benefit amount will be 150% of the greater of (a) the member's annual rate of compensation at the time of disability, or (b) the member's previous 12 months of compensation at the time of the last date on payroll. If the member had been disabled for five or more years, the annual compensation or salary rate at the time of death will be indexed before the life insurance benefit is computed. The indexing is based on the consumer price index, less one percentage point. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, he or she may be eligible to receive up to 100% of the death benefit rather than having the benefit paid to the beneficiary.

The employees covered by the benefit terms at June 30 (the measurement date), are:

| | 2023 | 2022 |
|---|---|---|
| Active employees | 127 | 137 |
| Disabled employees | 1 | 1 |
| | 128 | 138 |

### *Total OPEB Liability*

The Hospital's total OPEB liability of $69,446 and $72,700 was measured as of June 30, 2023 and 2022, for the years ended December 31, 2023 and 2022, respectively, and was determined by actuarial valuations as of December 31, 2022 and 2021, respectively, and rolled forward to June 30, 2023 and 2022, respectively.

The total OPEB liability in the December 31, 2022 and 2021, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | 2023 | 2022 |
|---|---|---|
| Inflation | 2.75% | 2.75% |
| Discount rate | 3.65% | 3.54% |
| Salary increases, including inflation | 3.50% to 10% | 3.50% to 10% |

The discount rate was based on the Bond Buyer General Obligation 20-Year Municipal Bond Index. The discount rate changed from 2.16% in 2021 to 3.54% in 2022 and to 3.65% in 2023.

Mortality rates were based on the RP-2014 Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups, as appropriate with adjustments for mortality improvements based on MP-2021 Mortality Tables for the December 31, 2023 and 2022, actuarial valuations.

The actuarial assumptions used in the December 31, 2022 and 2021 , valuations were based on the results of an actuarial experience study for the period January 1, 2016 – December 31, 2018, respectively.

### *Changes in the Total OPEB Liability*

Changes in the total OPEB liability are:

| | 2023 | 2022 |
|---|---|---|
| Balance, beginning of year | $ 72,700 | $ 117,209 |
| Changes for the year: | | |
| Service cost | 16,309 | 30,542 |
| Interest | 3,115 | 3,160 |
| Differences between expected and actual experience | (20,306) | (45,692) |
| Changes of assumptions | (314) | (29,515) |
| Benefit payments | (2,058) | (3,004) |
| Net changes | (3,254) | (44,509) |
| Balance, end of year | $ 69,446 | $ 72,700 |

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

The total OPEB liability of the Hospital, at December 31, 2023, has been calculated using a discount rate of 3.65%. The following presents the total OPEB liability using a discount rate 1% higher and 1% lower than the current discount rate.

| | 1% Decrease (2.65%) | Current Discount Rate (3.65%) | 1% Increase (4.65%) |
|---|---|---|---|
| Hospital's total OPEB liability | $ 72,176 | $ 69,446 | $ 66,470 |

The total OPEB liability of the Hospital is not impacted by health care cost trend rates given the nature of the benefits provided by the OPEB plan, as such no sensitivity tables were prepared for the health care trend rates.

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

For the years ended December 31, 2023 and 2022, the Hospital recognized OPEB expense (credit) of $(3,156) and $13,154, respectively. At December 31, 2023 and 2022, the Hospital reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

| | 2023 | |
|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ - | $ 121,425 |
| Changes of assumptions | 4,497 | 27,139 |
| Total | $ 4,497 | $ 148,564 |

| | 2022 | |
|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ - | $ 120,447 |
| Changes of assumptions | 5,309 | 30,889 |
| Total | $ 5,309 | $ 151,336 |

Amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2023, related to OPEB will be recognized in OPEB expense as follows:

| | |
|---|---|
| 2024 | $ 22,580 |
| 2025 | 22,580 |
| 2026 | 22,311 |
| 2027 | 20,675 |
| 2028 | 17,823 |
| Thereafter | 38,098 |
| | $ 144,067 |

## Note 10. COVID-19 Pandemic & *CARES Act* Funding

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

The Hospital's pandemic response plan has multiple facets and continues to evolve as the lasting impact of the pandemic unfolds. The Hospital 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 Hospital's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Hospital's control and ability to forecast.

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

### *Provider Relief Fund*

During the years ended December 31, 2023 and 2022, the Hospital received $0 and $0, respectively, of distributions from the *CARES Act* Provider Relief Fund. These distributions from the Provider Relief Fund are not subject to repayment, provided the Hospital is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by HHS.

The Hospital accounts for such payments as voluntary nonexchange transactions. Payments are recognized as revenue once the applicable terms and conditions to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Hospital's operating revenues and expenses through December 31, 2023 and 2022, the Hospital recognized $0 and $415,426, respectively, related to the Provider Relief Fund, and these payments are recorded as Provider Relief Funds (*CARES Act*), classified as nonoperating revenues in the accompanying statements of revenues, expenses and changes in net position.

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

### *Other COVID-19 Funding*

During the years ended December 31, 2023 and 2022, the Coronavirus Small Rural Hospital Improvement Program provided support to small rural and Critical Access Hospitals (CAHs) which were seeing increased demands for critical services and equipment, as well as experiencing short-term financial and workforce challenges related to responding to meeting the needs of patients with COVID-19 seeking care at their facilities. These funds were administered through the Small Rural Hospital Improvement Program (SHIP) to provide emergency funding support to CAHs and non-CAH rural hospitals with less than 50 beds. This approach provided funding directly to the states to target those rural hospitals and the communities they serve who are facing the greatest strain from this crisis. The Hospital received $0 and $205,493 related to the SHIP grant and recorded a receivable of $0 and $51,874 for the years ended December 31, 2023 and 2022, respectively. The Hospital recognized $0 and $257,367 of revenue during 2023 and 2022, respectively, related to this grant and the revenue is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

# *Required Supplementary Information*

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

| | 2023 * | 2022 * | 2021 * | 2020 * | 2019 * |
|---|---|---|---|---|---|
| Hospital's proportion of the net pension liability | 0.346179% | 0.386346% | 0.414765% | 0.356081% | 0.330458% |
| Hospital's proportionate share of the net pension liability | $ 7,262,506 | $ 7,680,730 | $ 4,976,998 | $ 6,173,212 | $ 4,617,729 |
| Hospital's covered-employee payroll | $ 7,625,407 | $ 7,714,883 | $ 7,146,693 | $ 6,459,382 | $ 6,037,151 |
| Hospital's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 95.24% | 99.56% | 69.64% | 95.57% | 76.49% |
| Plan fiduciary net position as a percentage of the total pension liability | 70.70% | 69.75% | 76.40% | 66.30% | 69.88% |

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

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

| 2018 * | 2017 * | 2016 * | 2015 * | 2014 * |
|---|---|---|---|---|
| 0.315715% | 0.307998% | 0.310951% | 0.319067% | 0.325591% |
| $ 4,400,404 | $ 4,461,214 | $ 4,810,504 | $ 4,189,490 | $ 4,007,416 |
| $ 5,560,349 | $ 5,412,610 | $ 5,461,409 | $ 5,482,166 | $ 5,485,589 |
| 79.14% | 82.42% | 88.08% | 76.42% | 73.05% |
| 68.88% | 67.12% | 65.10% | 64.95% | 66.60% |

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

| | 2023 * | 2022 * | 2021 * | 2020 * | 2019 * |
|---|---|---|---|---|---|
| Contractually required contribution | $ 582,234 | $ 686,614 | $ 675,459 | $ 648,377 | $ 572,655 |
| Contribution in relation to the contractually required contribution | 582,234 | 686,614 | 675,459 | 648,377 | 572,655 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| Hospital's covered-employee payroll | $ 6,906,688 | $ 7,714,801 | $ 7,615,093 | $ 7,530,515 | $ 6,441,554 |
| Contributions as a percentage of covered-employee payroll | 8.43% | 8.90% | 8.87% | 8.61% | 8.89% |

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

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

| 2018 * | 2017 * | 2016 * | 2015 * | 2014 * |
|---|---|---|---|---|
| $ 488,474 | $ 441,447 | $ 491,268 | $ 503,830 | $ 467,612 |
| 488,474 | 441,447 | 491,268 | 503,830 | 467,612 |
| $ - | $ - | $ - | $ - | $ - |
| $ 5,822,095 | $ 5,218,053 | $ 5,351,504 | $ 5,556,418 | $ 5,407,913 |
| 8.39% | 8.46% | 9.18% | 9.07% | 8.65% |

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

| | 2023 * | 2022 * | 2021 * | 2020 * | 2019 * | 2018 * | 2017 * |
|---|---|---|---|---|---|---|---|
| **Total OPEB Liability** | | | | | | | |
| Service cost | $ 16,309 | $ 30,542 | $ 25,071 | $ 19,810 | $ 17,362 | $ 17,178 | $ 18,949 |
| Interest | 3,115 | 3,160 | 2,651 | 5,819 | 6,786 | 7,085 | 5,699 |
| Differences between expected and actual experience | (20,306) | (45,692) | (4,961) | (69,857) | (19,973) | (30,773) | - |
| Changes in assumptions | (314) | (29,515) | 181 | 5,281 | 2,525 | (2,602) | (8,031) |
| Benefit payments | (2,058) | (3,004) | (1,203) | (23,876) | (12,639) | (14,617) | (19,219) |
| **Net Change in Total OPEB Liability** | (3,254) | (44,509) | 21,739 | (62,823) | (5,939) | (23,729) | (2,602) |
| **Hospital's Total OPEB Liability - Beginning** | 72,700 | 117,209 | 95,470 | 158,293 | 164,232 | 187,961 | 190,563 |
| **Hospital's Total OPEB Liability - Ending** | $ 69,446 | $ 72,700 | $ 117,209 | $ 95,470 | $ 158,293 | $ 164,232 | $ 187,961 |
| **Hospital's Covered-employee Payroll** | $ 7,013,909 | $ 6,954,752 | $ 7,518,812 | $ 6,367,739 | $ 5,550,333 | $ 5,157,397 | $ 5,215,125 |
| **Hospital's Total OPEB Liability as a Percentage of Covered-Employee Payroll** | 0.99% | 1.05% | 1.56% | 1.50% | 2.85% | 3.18% | 3.60% |
| **Changes of Assumptions** | | | | | | | |
| Discount rate | 3.65% | 3.54% | 2.16% | 2.21% | 3.50% | 3.87% | 3.58% |

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

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

*Supplementary Information*

**Gove County Medical Center**
**A Component Unit of Gove County, Kansas**
**Net Patient Service Revenue**
**Years Ended December 31, 2023 and 2022**

| | 2023 | | |
|---|---|---|---|
| | Inpatient | Outpatient | Total |
| Hospital nursing service | $ 1,392,673 | $ - | $ 1,392,673 |
| Nursery | 153,390 | - | 153,390 |
| Long-term care | 916,978 | - | 916,978 |
| Operating room | 256,084 | 987,484 | 1,243,568 |
| Delivery room | 399,305 | - | 399,305 |
| Anesthesiology | 121,875 | 273,860 | 395,735 |
| Radiology | 419,949 | 3,678,137 | 4,098,086 |
| Laboratory | 541,837 | 2,635,812 | 3,177,649 |
| Respiratory therapy | 309,934 | 66,017 | 375,951 |
| Physical therapy | 219,558 | 1,133,422 | 1,352,980 |
| Occupational therapy | 83,106 | 100,280 | 183,386 |
| Speech therapy | 4,110 | 14,036 | 18,146 |
| Electrocardiology | 41,055 | 277,772 | 318,827 |
| Cardiac rehabilitation | - | 76,222 | 76,222 |
| Implantable devices | 5,098 | 19,762 | 24,860 |
| Medical supplies | 127,132 | 42,052 | 169,184 |
| Pharmacy | 827,584 | 1,035,131 | 1,862,715 |
| Orthopedic, urology, ENT, pain clinics | 10,042 | 1,125,955 | 1,135,997 |
| Emergency room | 33,933 | 809,515 | 843,448 |
| Observation | 788 | 210,433 | 211,221 |
| Sleep lab | - | 316,195 | 316,195 |
| Senior life solutions | - | 506,765 | 506,765 |
| Home health agency | - | 11,558 | 11,558 |
| Independent living | 54,831 | - | 54,831 |
| | $ 5,919,262 | $ 13,320,408 | 19,239,670 |
| Provision for uncollectible accounts | | | 122,750 |
| Contractual allowances and charity care | | | 5,289,577 |
| Net patient service revenue | | | $ 13,827,343 |

**Gove County Medical Center**
**A Component Unit of Gove County, Kansas**
**Net Patient Service Revenue (Continued)**
**Years Ended December 31, 2023 and 2022**

| 2022 | | |
|---|---|---|
| Inpatient | Outpatient | Total |
| $ 1,460,945 | $ - | $ 1,460,945 |
| 101,625 | - | 101,625 |
| 2,902,687 | - | 2,902,687 |
| 137,418 | 1,033,832 | 1,171,250 |
| 273,324 | - | 273,324 |
| 78,383 | 179,508 | 257,891 |
| 525,653 | 4,005,478 | 4,531,131 |
| 559,554 | 3,272,281 | 3,831,835 |
| 717,642 | 77,256 | 794,898 |
| 183,982 | 931,299 | 1,115,281 |
| 68,505 | 69,938 | 138,443 |
| 5,270 | 26,737 | 32,007 |
| 61,705 | 256,413 | 318,118 |
| - | 59,725 | 59,725 |
| 3,148 | 24,169 | 27,317 |
| 160,069 | 40,587 | 200,656 |
| 1,031,009 | 880,116 | 1,911,125 |
| 1,826 | 447,745 | 449,571 |
| 48,784 | 916,079 | 964,863 |
| 7,858 | 274,359 | 282,217 |
| - | 417,544 | 417,544 |
| - | 2,540 | 2,540 |
| - | 11,660 | 11,660 |
| 90,287 | - | 90,287 |
| $ 8,419,674 | $ 12,927,266 | 21,346,940 |
| | | 250,919 |
| | | 4,559,164 |
| | | $ 16,536,857 |

**Gove County Medical Center**
**A Component Unit of Gove County, Kansas**
**Contractual Adjustments, Charity Care and Other Operating Revenues**
**Years Ended December 31, 2023 and 2022**

## *Contractual Adjustments and Charity Care*

| | 2023 | 2022 |
|---|---|---|
| **Charity Care** | $ 377,716 | $ 70,091 |
| **Contractual Adjustments** | | |
| Medicare and Medicaid – Hospital | 2,188,078 | 1,915,579 |
| Blue Cross – Hospital | 2,021,680 | 1,950,691 |
| Commercial insurance – Hospital | 454,234 | 336,521 |
| Medicaid – long-term care facility | (107,937) | (53,619) |
| Administrative adjustments | 355,806 | 339,901 |
| | $ 5,289,577 | $ 4,559,164 |

## *Other Operating Revenues*

| | 2023 | 2022 |
|---|---|---|
| Day care revenue | $ 191,250 | $ 182,976 |
| Contract revenue | 41,499 | 43,663 |
| Cafeteria sales | 48,620 | 34,693 |
| Rent | 51,251 | 64,008 |
| Guest meals | 3,436 | 4,231 |
| Loss on disposal of capital assets | (152,465) | (202) |
| Miscellaneous | 150,153 | 222,218 |
| | $ 333,744 | $ 551,587 |

**Gove County Medical Center**
**A Component Unit of Gove County, Kansas**
**Operating Expenses**
**Years Ended December 31, 2023 and 2022**

| | 2023 | | |
|---|---|---|---|
| | Salaries | Other | Total |
| Hospital nursing service | $ 1,090,658 | $ 754,142 | $ 1,844,800 |
| Nursery | 9,471 | 4,147 | 13,618 |
| Long-term care | 759,749 | 360,725 | 1,120,474 |
| Operating room | 253,727 | 140,814 | 394,541 |
| Delivery room | 157,184 | 464,158 | 621,342 |
| Anesthesiology | - | 164,871 | 164,871 |
| Radiology | 337,255 | 360,156 | 697,411 |
| Laboratory | 333,761 | 1,082,480 | 1,416,241 |
| Respiratory therapy | 137,297 | 4,413 | 141,710 |
| Physical therapy | 464,654 | 144,929 | 609,583 |
| Occupational therapy | 88,885 | 29,893 | 118,778 |
| Speech therapy | - | 16,571 | 16,571 |
| Electrocardiology | 7,811 | 519 | 8,330 |
| Cardiac rehabilitation | 48,707 | 367 | 49,074 |
| Implantable devices | - | 24,601 | 24,601 |
| Medical supplies | 6,293 | 101,085 | 107,378 |
| Pharmacy | 99,718 | 468,561 | 568,279 |
| Orthopedic, urology, ENT, pain clinics | 180,495 | 412,198 | 592,693 |
| Emergency room | 43,416 | 756,465 | 799,881 |
| Sleep lab | 60,314 | 73,968 | 134,282 |
| Senior life solutions | - | 523,029 | 523,029 |
| Home health agency | 1,618 | 4,850 | 6,468 |
| Depreciation | - | 859,393 | 859,393 |
| Employee benefits | - | 3,569,617 | 3,569,617 |
| Administrative and general | 1,765,700 | 1,526,353 | 3,292,053 |
| Operation of plant | 194,719 | 360,023 | 554,742 |
| Laundry and linen | 57,406 | 4,707 | 62,113 |
| Housekeeping | 160,076 | 20,159 | 180,235 |
| Dietary | 365,459 | 115,531 | 480,990 |
| Nursing service administration | 609,767 | 24,942 | 634,709 |
| Purchasing | 51,646 | 7,779 | 59,425 |
| Medical records | 231,260 | 49,702 | 280,962 |
| | $ 7,517,046 | $ 12,431,148 | $ 19,948,194 |

**Gove County Medical Center**
**A Component Unit of Gove County, Kansas**
**Operating Expenses (Continued)**
**Years Ended December 31, 2023 and 2022**

| 2022 | | |
|---|---|---|
| **Salaries** | **Other** | **Total** |
| $ 1,260,468 | $ 1,123,747 | $ 2,384,215 |
| 15,599 | 11,260 | 26,859 |
| 1,876,366 | 369,453 | 2,245,819 |
| 132,809 | 181,489 | 314,298 |
| 118,467 | 432,815 | 551,282 |
| - | 171,469 | 171,469 |
| 367,211 | 358,534 | 725,745 |
| 400,088 | 1,051,555 | 1,451,643 |
| 185,908 | 7,454 | 193,362 |
| 425,425 | 144,657 | 570,082 |
| 6,116 | 169,968 | 176,084 |
| - | 27,140 | 27,140 |
| 9,359 | 1,786 | 11,145 |
| 49,848 | 1,121 | 50,969 |
| - | 5,027 | 5,027 |
| 126,119 | 123,361 | 249,480 |
| 81,040 | 765,055 | 846,095 |
| 82,883 | 128,054 | 210,937 |
| 50,758 | 708,791 | 759,549 |
| 71,337 | 60,546 | 131,883 |
| - | 158,815 | 158,815 |
| 979 | 8,480 | 9,459 |
| - | 830,350 | 830,350 |
| - | 3,648,243 | 3,648,243 |
| 1,434,837 | 1,066,977 | 2,501,814 |
| 214,209 | 432,053 | 646,262 |
| 76,316 | 8,923 | 85,239 |
| 183,457 | 29,375 | 212,832 |
| 439,028 | 204,782 | 643,810 |
| 437,819 | 35,558 | 473,377 |
| 59,350 | 8,748 | 68,098 |
| 213,879 | 45,034 | 258,913 |
| $ 8,319,675 | $ 12,320,620 | $ 20,640,295 |