EDWARDS COUNTY HOSPITAL,
D/B/A EDWARDS COUNTY MEDICAL CENTER
A Component Unit of Edwards County, Kansas

Financial Statements

Years Ended December 31, 2020 and 2019

(Together With Independent Auditor's Report)

EDWARDS COUNTY HOSPITAL,
D/B/A EDWARDS COUNTY MEDICAL CENTER
A Component Unit of Edwards County, Kansas

Index

Years Ended December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Edwards County Hospital, d/b/a Edwards County Medical Center
Kinsley, Kansas:

Report on the Financial Statements

We have audited the accompanying statements of financial position of Edwards County Hospital, d/b/a Edwards County Medical Center, a component unit of Edwards County, Kansas, as of December 31, 2020 and 2019, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements which collectively comprise Edwards County Hospital's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the provisions of the Kansas Municipal Audit and Accounting Guide. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 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 estimates made by management, as well as evaluating the overall presentation of the financial statements.

(Continued)

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Edwards County Hospital, d/b/a Edwards County Medical Center as of December 31, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Component Unit Reporting

As discussed in note 1, the financial statements present only the financial information of Edwards County Hospital and do not purport to, and do not, present fairly the financial position of Edwards County as of December 31, 2020 and 2019, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information on pages 35 through 37 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information on pages 35 through 37 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.

Edwards County Hospital has omitted its 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Dohman, Akerlund & Eddy, LLC

Aurora, Nebraska
May 20, 2021

EDWARDS COUNTY HOSPITAL
D/B/A EDWARDS COUNTY MEDICAL CENTER
A Component Unit of Edwards County, Kansas

Statements of Financial Position

December 31, 2020 and 2019

Assets and Deferred Outflows of Resources	2020	2019
Current assets:		
Cash and cash equivalents	$ 3,184,832	331,320
Restricted cash - COVID-19 funds	2,021,723	-
Receivables:		
Patient, net of estimated uncollectibles of $641,007 in 2020 and $355,000 in 2019	1,951,078	1,055,156
Estimated third-party payor settlements	646,660	710,000
Noncapital appropriations - Edwards County	238,047	275,000
Other	206,782	149,948
Supplies	208,181	231,540
Prepaid expenses and other	92,843	49,054
Total current assets	8,550,146	2,802,018
Noncurrent cash equivalents, internally designated for capital improvements	463,202	458,015
Capital assets:		
Capital assets	9,231,454	9,032,208
Less accumulated depreciation	7,657,800	7,424,209
Net capital assets	1,573,654	1,607,999
Total assets	10,587,002	4,868,032
Deferred outflows of resources:		
Pension	1,404,069	834,510
OPEB	60,481	45,339
Total deferred outflows of resources	1,464,550	879,849
	$ 12,051,552	5,747,881

See accompanying notes to financial statements.

Liabilities, Deferred Inflows of Resources, and Net Position	2020	2019
Current liabilities:		
Current maturities of long-term debt	$ 358,003	96,442
Current maturities of ZPIC and CMS extended repayment settlements	-	90,524
Accounts payable	305,995	138,487
Advanced grants - COVID-19 funds	2,021,723	-
Medicare advance payment	1,744,844	-
Accrued expenses	646,305	560,370
Total current liabilities	5,076,870	885,823
CMS extended repayment settlements, less current maturities	-	339,835
Long-term debt, less current maturities	-	122,819
Paycheck Protection Program loan, less current maturities	717,797	-
Net pension liability	4,138,024	3,214,767
Total OPEB liability	316,910	300,088
Total liabilities	10,249,601	4,863,332
Deferred inflows of resources:		
Pension	53,199	97,088
OPEB	65,425	75,446
Noncapital appropriations - Edwards County	238,047	275,000
Total deferred inflows of resources	356,671	447,534
Net position:		
Net investment in capital assets	1,215,651	1,388,738
Unrestricted	229,629	(951,723)
Total net position	1,445,280	437,015
	$ 12,051,552	5,747,881

EDWARDS COUNTY HOSPITAL
D/B/A EDWARDS COUNTY MEDICAL CENTER
A Component Unit of Edwards County, Kansas

Statements of Revenues, Expenses and Changes in Net Position

Years Ended December 31, 2020 and 2019

	2020	2019
Operating revenues:		
Net patient service revenue	$ 8,366,819	9,985,135
Provision for bad debts	(491,342)	(470,103)
Net patient service revenue, less provision for bad debts	7,875,477	9,515,032
Other revenue	545,691	591,619
Total operating revenues	8,421,168	10,106,651
Operating expenses:		
Salaries and wages	4,862,966	4,973,172
Employee benefits	1,474,555	1,316,895
Purchased services and professional fees	1,289,523	1,899,468
Supplies and other	1,862,838	1,924,331
Depreciation and amortization	233,591	205,317
Total operating expenses	9,723,473	10,319,183
Operating loss	(1,302,305)	(212,532)
Nonoperating revenues (expenses):		
Noncapital appropriations - Edwards County	513,696	518,696
Interest from deposit accounts and other receivables	6,390	7,619
Interest for ZPIC and CMS extended repayment settlements, net	(20,087)	(58,083)
Grants - COVID-19 funds	1,760,000	-
Noncapital grants and contributions	32,800	33,786
Total nonoperating revenues	2,292,799	502,018
Excess of revenues over expenses	990,494	289,486
Capital grants and contributions	17,771	14,500
Increase in net position	1,008,265	303,986
Net position, beginning of year	437,015	133,029
Net position, end of year	$ 1,445,280	437,015

See accompanying notes to financial statements.

EDWARDS COUNTY HOSPITAL
D/B/A EDWARDS COUNTY MEDICAL CENTER
A Component Unit of Edwards County, Kansas

Statements of Cash Flows

Years Ended December 31, 2020 and 2019

Change in Cash and Cash Equivalents	2020	2019
Cash flows from operating activities:		
Receipts from or on behalf of patients	$ 8,300,546	9,175,087
Payments to suppliers and contractors	(3,005,283)	(4,004,675)
Payments to and on behalf of employees	(5,950,118)	(6,175,271)
Other receipts and payments, net	545,691	591,619
Net cash used by operating activities	(109,164)	(413,240)
Cash flows from noncapital financing activities:		
Noncapital appropriations - Edwards County	513,696	518,696
Noncapital grants and contributions	32,800	33,786
Paycheck Protection Program loan proceeds	1,075,800	-
Covid-19 funds received	3,781,723	-
Interest paid on financed ZPIC and CMS extended repayment settlements, net	(10,827)	(49,162)
Net cash provided by noncapital financing activities	5,393,192	503,320
Cash flows from capital and related financing activities:		
Purchase of capital assets	(199,246)	(73,496)
Principal payments on long-term debt	(219,261)	(85,269)
Interest paid on long-term debt	(9,260)	(8,921)
Capital grants and contributions	17,771	14,500
Net cash used by capital and related financing activities	(409,996)	(153,186)
Cash flows from investing activities, interest received	6,390	7,619
Net increase (decrease) in cash and cash equivalents	4,880,422	(55,487)
Cash and cash equivalents, beginning of year	789,335	844,822
Cash and cash equivalents, end of year	$ 5,669,757	789,335
Reconciliation of cash and cash equivalents to the statements of financial position:		
Cash and cash equivalents	$ 3,184,832	331,320
Restricted cash	2,021,723	-
Cash and cash equivalents in noncurrent cash and investments	463,202	458,015
	$ 5,669,757	789,335

(Continued)

EDWARDS COUNTY HOSPITAL
D/B/A EDWARDS COUNTY MEDICAL CENTER
A Component Unit of Edwards County, Kansas

Statements of Cash Flows
(Continued)
Years Ended December 31, 2020 and 2019

Reconciliation of Operating Loss to Net Cash Used by Operating Activities	2020	2019
Operating loss	$ (1,302,305)	(212,532)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization	233,591	205,317
Provision for bad debts	491,342	470,103
Decrease (increase) in:		
Patient accounts receivable	(1,387,264)	(239,589)
Estimated third-party payor settlements	63,340	(512,520)
Other receivables	(56,834)	31,620
Supplies	23,359	(33,245)
Prepaid expenses	(43,789)	23,284
Deferred outflows of resources	(584,701)	(161,633)
Increase (decrease) in:		
ZPIC and CMS extended repayment settlements	(430,359)	(89,559)
Accounts payable - trade	167,508	(170,915)
Accrued expenses other	85,935	21,800
Medicare accelerated payments	1,744,844	-
Deferred inflows of resources - pension and OPEB	(53,910)	(48,975)
Net pension liability	923,257	288,923
Total OPEB liability	16,822	14,681
Net cash used by operating activities	$ (109,164)	(413,240)

Supplemental Disclosure of Cash Flows Information

	2020	2019
Equipment financed through capital lease arrangement	$ -	114,200

See accompanying notes to financial statements.

(1) Reporting Entity and Summary of Significant Accounting Policies

The financial statements of Edwards County Hospital, d/b/a Edwards County Medical Center (the Hospital), a component unit of Edwards County, Kansas, have been prepared in accordance with generally accepted accounting principles in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Hospital are described below.

Reporting entity

The Hospital is an acute care hospital located in Kinsley, Kansas. The Hospital is a component unit of Edwards County, Kansas (County) and the Board of County Commissioners appoints members to the Board of Trustees of the Hospital. The Hospital primarily earns revenue by providing inpatient, outpatient and emergency care to patients in the County area. The Hospital ceased providing geriatric psychiatric services during fiscal year 2019.

The financial statements of the Hospital reporting entity are intended to present the financial position, changes in financial position and cash flows of the Hospital. They do not purport to, and do not, present fairly the financial position, changes in financial position or cash flows of the County as of and for the years ended December 31, 2020 and 2019.

For financial reporting purposes, the Hospital has included all funds, organizations, agencies, boards, commissions, and authorities. The Hospital has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Hospital are such that the exclusion would cause the Hospital's financial situation to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Hospital to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Hospital. The Hospital does not have any component units which meet the GASB criteria.

Tax exempt status

As an essential government function of the County, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. The Hospital has also obtained 501(c)(3) status with the Internal Revenue Service.

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Measurement focus and basis of accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized when earned, and expenses are recorded when the liability is incurred.

Basis of presentation

The statement of financial position displays the Hospital's assets, deferred outflows, liabilities, and deferred inflows, with the difference reported as net position. Net position is reported in the following categories/components:

Net investment in capital assets consists of net capital assets reduced by the outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or the related debt obligations and increased by balances of deferred outflows of resources related to those assets or debt obligations.

Restricted net position:

Expendable – Expendable net position results when constraints placed on net position use are either externally imposed or imposed through enabling legislation.

Nonexpendable – Nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the Hospital.

The Hospital had no restricted net position at December 31, 2020 and 2019.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Hospital's policy is to first apply the expense toward the most restrictive resources and then toward unrestricted resources.

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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, liabilities and deferred outflows and inflows of resources, as well as disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding internally designated cash and investments. For purposes of the statements of cash flows, the Hospital considers all cash and investments with an original maturity of three months or less as cash and cash equivalents.

Patient receivables

Patient receivables are uncollateralized patient and third-party payor obligations. Patient receivables, excluding amounts due from third-party payors, are turned over to a collection agency if the receivables remain unpaid after the Hospital's collection procedures. The Hospital does not charge interest on the unpaid patient receivables. Payments of patient receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of patient receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from patients and third-party payors. Management reviews patient receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision.

Noncapital appropriations receivable and revenue

Noncapital appropriations received from the County consist of property taxes and specific budgeted operating appropriations. Annually, the Hospital submits budgets to the County for approval of both amounts for the next fiscal year. The budgets are approved by the Edwards County Board of Commissioners, generally in August, and utilized to establish the property tax levies. A specific levy in connection with the property taxes is assigned to the Hospital.

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In accordance with governing State statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. Property owners have the option of paying on half or the full balance of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. The County Treasurer is the tax collection agent for all taxing entities within the County, including the Hospital. State statutes prohibit the County Treasurer from distributing the taxes collected in the year levied prior to January 1 of the ensuing year.

As such taxes are a lien on properties during the current year, but not received by the Hospital until the ensuing year, such noncapital appropriations are recorded as a receivable as of December 31. For revenue recognition purposes, taxes levied during the current year are not available to the Hospital until the ensuing year due to State statute and, as such, are recognized as a deferred inflow of resources.

The operating appropriations received from the County are accounted for as a budgeted line item within the County's financial statements. State statues allow transferring budgeted amounts within the line items within an individual fund, therefore there are no restrictions on the County for distributing these funds to the Hospital. Accordingly, amounts are recognized as revenue upon approval of the Hospital's submitted budget by the County.

Supplies

Supply inventories are stated at the lower of cost (first-in, first-out) or market and are expensed when used.

Noncurrent cash equivalents

Noncurrent cash equivalents are set aside by the Board of Trustees for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes. Assets that are available for obligations classified as current liabilities are reported in current assets.

(Continued)

Capital assets

Capital assets acquisitions in excess of $5,000 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. Useful lives are determined using the general guidelines set forth in the American Hospital Association Guide for Estimated Useful lives of Depreciable Hospital Assets. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Amortization is included in depreciation and amortization in the financial statements. The estimated useful lives of capital assets are as follows:

	Life in Years
Land improvements	10-20
Buildings	15-40
Fixed equipment	5-20
Moveable equipment	3-20

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net position and are reported after nonoperating revenues. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net position.

Deferred outflows of resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. The Hospital has deferred outflows of resources related to pension and total other postemployment benefits (OPEB) liabilities. Deferred outflows of resources consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments, changes in assumptions, other differences between expected and actual experience, and contributions from the employer after the measurement date but before the end of the Hospital's reporting period. The Hospital's deferred outflows of resources are recognized as a component of compensation expense in the following year related to employer contributions, compensation expense over five years for the difference in projected and actual earnings, or over the expected remaining service life of the related pension of OPEB plan.

(Continued)

Compensated absences

The Hospital's employees earn paid time-off days at varying rates depending on years of service. Employees may accumulate paid time-off up to a specified maximum. Employees are paid for accumulated paid time-off upon termination. Sick leave benefits are realized as paid time off and are recognized as expense when the time off occurs, and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of financial position date plus an additional amount for compensated-related payments, such as social security and Medicare taxes computed using rates in effect at that date. The liability for compensated absences is reported within accrued expenses in the accompanying financial statements.

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 the pension, pension expense, and information about the fiduciary net position of KPERS and additions to/deductions from KPERS's fiduciary net positions 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.

Deferred inflows of resources

Deferred inflows of resources represent an increase in net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until then. The Hospital has deferred inflows of resources related to pension and OPEB liabilities. The deferred inflows of resources consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments, changes in assumptions and other differences between expected and actual experience, all associated with the Hospital's participation in the related KPERS pension or OPEB plans. In addition, deferred inflows of resources include noncapital appropriations from the County related to the ensuing year's budget and grants received that relate to a future period. The Hospital's deferred inflows of resources related to pensions are recognized as a component of compensation expense over five years for the difference in projected and actual earnings, or over the expected remaining service life of the related plans. Noncapital appropriations are recognized as inflows of resources in the period the amounts become available and grants are recognized as revenue when earned.

(Continued)

Operating revenues and expenses

The Hospital's statements of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses of the Hospital result from exchange transactions associated with providing health care services - the Hospital's principal activity, and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.

Net patient service revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include reimbursed costs, prospectively determined rates, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, 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.

Charity care

The Hospital provides health care services to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Since the Hospital does not pursue collection of these amounts, they are not reported as patient service revenue. The estimated cost of providing these services was $40,000 for both the years ended December 31, 2020 and 2019, calculated by multiplying the ratio of cost to gross charges for the Hospital by the gross uncompensated charges associated with providing charity care to its patients.

Grants and contributions

From time to time, the Hospital receives contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either 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.

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Newly adopted accounting standard

The Hospital adopted GASB Statement No. 89, *Construction Interest*. This new statement requires interest cost incurred before the end of a construction period to be recognized as an expense in the period in which the cost is incurred. Such interest costs will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The adoption of this standard had no impact on the amounts reported for the years ended December 31, 2020 and 2019.

(2) Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

- **Medicare:** The Hospital is designated as a Critical Access Hospital (CAH). As a CAH, inpatient acute, inpatient nonacute (swing-bed), and outpatient services provided to Medicare beneficiaries are paid based on a cost reimbursement methodology (plus an additional 1% of cost). For these services, the Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare Administrative Contractor (MAC). Although the majority of the services provided are reimbursed under the previously described methodology, there are services, such as certain laboratory and diagnostic services, that are reimbursed under prospectively determined per diem rates or fee schedules. The Hospital'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 Hospital's Medicare cost reports have been audited by the MAC through December 31, 2018.

  The “Budget Control Act of 2011” requires, among other things, mandatory across the board reductions in federal spending, also known as sequestration. In general, Medicare claims with dates of service or dates of discharge on or after April 1, 2013 incur a 2% reduction in Medicare payments. On March 27, 2020, the CARES act temporarily exempted Medicare form the effects of sequestration. This exemption is in effect from May 1, 2020 through December 31, 2021.

- **Medicaid:** Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid 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.

(Continued)

The Hospital has also entered into payment agreements with certain commercial insurance carriers and other 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.

Concentration of gross revenues by major payor accounted for the following percentages of the Hospital's net patient service revenues for the years ended December 31, 2020 and 2019:

	2020	2019
Medicare	55%	62%
State-sponsored Medicaid program	4	5
Commercial insurance	37	31
Uninsured	4	2
	100%	100%

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

ZPIC settlement

The Hospital is involved in an investigation regarding specific third-party payor program billing issues associated with the geriatric psychiatry unit. The investigation was conducted through the Medicare Zone Program Integrity Contractor (ZPIC) program. Ultimately, it was determined that the Hospital was subject to a repayment to Medicare based on this investigation. During 2015, the Hospital negotiated long-term payment terms with Medicare to repay this amount over a 60-month term. The Hospital has made additional payments throughout the term and paid the note in full during 2018. The Hospital is contesting certain ZPIC repayments, but recorded and repaid the full value of repayments identified. Ultimately, events could occur that would cause the estimate of ultimate losses to differ materially in the near term.

Related to the ZPIC investigation and liability to Medicare, the Hospital had an agreement with a third-party vendor under which the vendor would reimburse the Hospital 50% of the amounts recovered by Medicare. The Hospital had a receivable at December 31, 2018 of $95,288 related to this matter, which was included in other receivables on the statements of financial position. The amount was fully received during 2019. The receivable earned interest at 10.125%, which was recorded as interest income and included as a nonoperating activity.

(Continued)

CMS extended repayment settlement

During 2018, the Hospital entered into an extended repayment agreement with Centers for Medicare and Medicaid Services (CMS) as the result of the final settlement of the cost report for the year ended December 31, 2016 totaling $536,373. The Hospital negotiated long-term payment terms with CMS to repay this amount in monthly installments of $11,560 over a 60-month term, which includes interest at 10.25% (note 8). The Hospital fully repaid all remaining amounts associated with this agreement in 2020.

(3) COVID-19 Funds

In December 2019, a novel strain of the coronavirus (COVID-19) originated in Wuhan, China and spread to other countries, including the United States of America (U.S.). On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic and on March 13, 2020 the President of the United States of America declared an emergency under sections 201 and 301 of the National Emergencies Act. Since this declaration, the Hospital has operated within the guidelines provided by both state and federal regulatory agencies. Additionally, many state and local governments instituted emergency restrictions that have substantially limited the operation of non-essential businesses and the activities of individuals. These restrictions have resulted in a decrease in overall hospital service volumes as both hospital and physician elective procedures have been impacted. The U.S. Congress passed both the Families First Coronavirus Response Act and the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to provide various relief programs and direct funds to both healthcare providers, such as the Hospital, and the general public to assist during the duration of the pandemic.

(Continued)

Under the authority of the CARES Act, the U.S. Department of Health and Human Services (HHS) has established various Provider Relief Funds to distribute funds to healthcare providers. As of December 31, 2020, the Hospital has received $3,661,723 in Provider Relief Funds. The terms and conditions associated with accepting the funds, specifically state they can only be used to prevent, prepare for, and respond to coronavirus healthcare-related expenses or lost revenues that are attributable to the coronavirus. Recipients may not use the payments to reimburse expenses or losses that have been reimbursed by other sources or that sources are obligated to reimburse. The Hospital is required to file reports with HHS regarding the use of these funds for eligible purposes. HHS currently has a deadline requiring the funds to be used by June 30, 2021. Any unused funds are required to be returned to HHS. The Hospital also received grant funds from the State of Kansas totaling $120,000 to use for COVID-19 related expenses. The Hospital considers the receipt of these funds a voluntary nonexchange transaction and recorded the amounts received as an Advanced Grant – COVID-19 funds (liability). The liability is being derecognized and nonoperating revenue recognized, as the terms and conditions are determined to be substantially met by the Hospital. As of December 31, 2020, the Hospital had recognized nonoperating revenues of $1,760,000 associated with all the funds received. The unrecognized portion of the grant funds are being reported as Restricted Cash – COVID-19 Funds and Advanced Grants – COVID-19 Funds and will be recognized upon meeting the terms and conditions specific to these grants.

Since the inception of the CARES Act, reporting guidance has continued to evolve and change, including significant changes affecting the guidance that had been applicable prior to the Hospital's year-end of December 31, 2020. For financial statement reporting purposes, the Hospital has determined these continuing changes, even those that occurred after year-end, to be on-going clarifications and has utilized the most currently published reporting guidance up to the date the financial statements were issued to determine COVID-19 expenses and lost revenues. The laws and regulations associated with the CARES Act funds are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Additionally, the CARES Act amended the existing CMS Accelerated Payments Program to provide additional benefits and flexibilities to hospitals covered in the CARES Act. The Hospital requested the maximum amounts available under this program and received $1,744,844 in advance payments from Medicare during 2020. The recoupment of these funds will begin one year from their receipt. The Hospital can elect to repay all or a portion of these funds prior to the date recoupment is supposed to start. The Hospital is reporting the entire amount as a current liability titled Medicare advance payment at December 31, 2020 and made a lump sum repayment for the full amount on April 9, 2021.

(Continued)

(4) Deposits

The carrying amounts of the Hospital's deposits as of December 31, 2020 and 2019 were $5,669,757 and $789,335, respectively.

Deposits are reported in the following statements of financial position captions:

	2020	2019
Cash and cash equivalents	$ 5,206,555	331,320
Noncurrent cash equivalents – internally designated	463,202	458,015
	$ 5,669,757	789,335

Custodial credit risk

Custodial credit risk is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to it. The Hospital's deposit policy for custodial credit risk requires compliance with the provisions of state laws. 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 amounts of the deposits. The Hospital's deposits in banks at December 31, 2020 and 2019 were entirely covered by federal depository insurance or by collateral held by the Hospital's custodial bank in the Hospital's name.

The Hospital does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

(Continued)

(5) Capital Assets

Capital assets additions, transfers/retirements, and balances for the years ended December 31, 2020 and 2019 are as follows:

	2019	Additions	Transfers/ Retirements	2020
Historical costs				
Land – not depreciated	$ 55,662	-	-	55,662
Construction in progress – not depreciated	32,085	128,396	(25,700)	134,781
Land improvements	122,166	-	-	122,166
Buildings	4,162,599	12,400	-	4,174,999
Fixed equipment	2,142,470	-	-	2,142,470
Moveable equipment	2,517,226	58,450	25,700	2,601,376
Total historical costs	9,032,208	199,246	-	9,231,454
Less accumulated depreciation				
Land improvements	(122,166)	-	-	(122,166)
Buildings	(3,344,627)	(58,737)	-	(3,403,364)
Fixed equipment	(1,790,467)	(53,620)	-	(1,844,087)
Moveable equipment	(2,166,949)	(121,234)	-	(2,288,183)
Total accumulated depreciation	(7,424,209)	(233,591)	-	(7,657,800)
Net capital assets	$ 1,607,999	(34,345)	-	1,573,654

(Continued)

	2018	Additions	Transfers/ Retirements	2019
Historical costs				
Land – not depreciated	$ 47,391	8,271	-	55,662
Construction in progress – not depreciated	4,583	27,502	-	32,085
Land improvements	122,166	-	-	122,166
Buildings	4,144,158	18,441	-	4,162,599
Fixed equipment	2,142,470	-	-	2,142,470
Moveable equipment	2,383,744	133,482	-	2,517,226
Total historical costs	8,844,512	187,696	-	9,032,208
Less accumulated depreciation				
Land improvements	(122,166)	-	-	(122,166)
Buildings	(3,261,144)	(47,582)	-	(3,308,726)
Fixed equipment	(1,764,477)	(61,891)	-	(1,826,368)
Moveable equipment	(2,071,105)	(95,844)	-	(2,166,949)
Total accumulated depreciation	(7,218,892)	(205,317)	-	(7,424,209)
Net capital assets	$ 1,625,620	(17,621)	-	1,607,999

The Hospital has various equipment and building projects on-going at December 31, 2020, including an engineering evaluation of converting patient rooms to negative pressure, installation of a bone density machine, therapy pool and CT scanner. Total estimated costs for the projects that were under contract at December 31, 2020 was approximately $244,000.

(6) Leases

The Hospital leased certain equipment under non-cancelable long-term agreements. Certain leases had been recorded as capitalized leases and others as operating leases. Total lease expense for the years ended December 31, 2020 and 2019 for all operating leases was $1,902 and $127,943, respectively. The Hospital paid off existing capital leases during 2020. The capitalized lease assets consist of:

	2020	2019
Major movable equipment	$ 457,720	457,720
Less accumulated amortization	(457,720)	(167,704)
	$ -	290,016

(Continued)

(7) Paycheck Protection Program Loan

The Paycheck Protection Program (PPP) was established by the CARES Act to provide a direct incentive for small businesses to keep their workers on payroll during the COVID-19 pandemic. The PPP loans are administered by the Small Business Administration (SBA) and provide direct loans to qualifying business entities through SBA approved lending institutions (banks). The funds are intended to be used for paying employee wages and other critical expenses, such as mortgage interest and utilities. The PPP loans are two or five-year promissory notes with a 1% interest rate, with six months of deferred interest payments and require no collateral or personal guarantees. Additionally, the entire loan and applicable interest, or a portion thereof, can qualify for forgiveness if the proceeds are used for defined forgivable purposes, such as employee wages and benefits, that are incurred and paid within a covered time period and other stipulations are met.

The Hospital applied for and received a PPP loan totaling $1,075,800 on April 27, 2020. The loan carries a 1% interest rate, with repayments deferred until loan forgiveness is submitted for or 10 months after the end of the covered period of the loan forgiveness period (8 or 24 weeks) if forgiveness is not requested. The Hospital is reporting the current portion of the PPP loan assuming loan repayments would begin November 2021 (10 months after the end of the 24 week covered period of the loan forgiveness period) with the final payment due April 2022. Subsequent to December 31, 2020, the Hospital filed for and received complete forgiveness of all principal and interest on January 6, 2021.

(Continued)

(8) Long-Term Liabilities

A schedule of the Hospital's long-term liabilities for 2020 and 2019 is as follows:

	Balance December 31, 2019	Additions/ Adjustments	Payments/ Adjustments	Balance December 31, 2020	Due Within One Year
Long-term debt, capital leases – note 6	$ 219,261	-	(219,261)	-	-
Other noncurrent liabilities:					
PPP Loan – note 7	-	1,075,800	-	1,075,800	358,003
CMS extended repayment settlement – note 2	430,359	-	(430,359)	-	-
Net pension liability – note 9	3,214,767	923,257	-	4,138,024	-
Total OPEB liability – note 10	300,088	16,822	-	316,910	-
Total long-term liabilities	$ 4,164,475	2,015,879	(649,620)	5,530,734	358,003

	Balance December 31, 2018	Additions/ Adjustments	Payments/ Adjustments	Balance December 31, 2019	Due Within One Year
Long-term debt, capital leases – note 6	$ 190,330	114,200	(85,269)	219,261	96,442
Other noncurrent liabilities:					
CMS extended repayment settlement – note 2	519,918	-	(89,559)	430,359	90,524
Net pension liability – note 9	2,925,844	288,923	-	3,214,767	-
Total OPEB liability – note 10	285,407	14,681	-	300,088	-
Total long-term liabilities	$ 3,921,499	417,804	(174,828)	4,164,475	186,966

(Continued)

(9) 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 Systems (KPERS), Kansas Police and Fire Retirement System and Kansas Retirement System for Judges.

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

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

- State/School
- Local
- Police and Fireman
- 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.

(Continued)

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 and 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 (note 10).

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

Contributions

The law governing KPERS requires an actuary to make an annual valuation of the liabilities and reserves and a determination of the contributions required to discharge the KPERS liabilities. The actuary then recommends to the KPERS Board of Trustees the state wide employer-contribution rates required to maintain the three systems on the actuarial reserve basis. Prior to January 1, 2014, Tier 1 participants were required to contribute 4% 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, 2020 and 2019 was 9.61% (8.61% and the 1% for death and dismemberment) and 9.89% (8.89% and the 1% for death and dismemberment), respectively, of annual payroll. 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 the pension plan for the years ended December 31, 2020 and 2019 were $385,540 and $395,481, respectively.

(Continued)

Net pension liability, pension expense, deferred outflows of resources and deferred inflows of resources related to pension plan

At December 31, 2020 and 2019, the Hospital reported a liability of $4,138,024 and $3,214,767, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and 2019, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of December 31, 2019 and 2018, rolled forward to June 30, 2020 and 2019. 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, 2020, the Hospital's proportion was 0.238688%, which was an increase of 0.008630% from its proportion measured as of June 30, 2019, of 0.230058%. At June 30, 2018, the proportion was 0.209920%.

For the years ended December 31, 2020, 2019, and 2018, the Hospital recognized pension expense of $695,349, $508,618, and $291,747, respectively. At December 31, 2020 and 2019, the Hospital reported deferred outflows of resources and deferred inflows of resources related to the pension plan from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 69,092	53,199	7,037	80,961
Net difference between projected and actual earnings on pension plan investments	482,805	-	75,633	-
Changes in assumptions	249,246	-	98,255	6,516
Changes in proportion	410,577	-	453,132	9,611
Hospital's contributions subsequent to the measurement date	192,349	-	200,453	-
	$ 1,404,069	53,199	834,510	97,088

(Continued)

At December 31, 2020, the Hospital reported $192,349 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 ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2020 will be recognized in pension expense as follows:

Years Ending December 31,	Amount
2020	$ 304,650
2021	340,676
2022	293,176
2023	209,822
2024	10,197
Total	$ 1,158,521

Actuarial Assumptions

The total pension liability in the December 31, 2019 and 2018 actuarial valuations were determined using the following actuarial assumptions applied to all periods included in the measurement:

Price inflation	2.75%
Salary increases	3.25% to 11.75%, including price inflation productivity
Investment rate of return	7.50%, net of pension plan investment expenses, including price inflation

The December 31, 2019 and 2018 actuarial valuations used mortality rates based on the RP-2014 Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future mortality improvements are anticipated using Scale MP-2016. Different adjustments apply to pre-retirement versus post-retirement versus post-disability mortality tables.

The actuarial assumptions used in the December 31, 2019 and 2018 valuations were based on the results of an actuarial experience study for the thee-year period ended January 1, 2016 through December 31, 2018 and was dated January 7, 2020.

(Continued)

The long-term expected rate of return on pension plan investments was determined using the 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	2020	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. equities	23.5%	5.20%
Non-U.S. equities	23.5	6.40
Private equity	8.0	9.50
Private real estate	11.0	4.45
Yield driven	8.0	4.70
Real return	11.0	3.25
Fixed income	11.0	1.55
Short-term investments	4.0	.25
	100.0%	

	2019	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	47.0%	6.9%
Fixed income	13.0	1.3
Yield driven	8.0	6.6
Real return	11.0	1.7
Real estate	11.0	5.1
Alternatives	8.0	9.9
Short-term investments	2.0	(.3)
	100.0%	

(Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.50% and 7.75% for the years ended December 31, 2020 and 2019, respectively. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the contractually required rate. Participating employer contributions do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employee contribution rates certified by the 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 plans 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 7.50% and 7.75% at December 31, 2019 and 2018, respectively. The following presents the Hospital's proportionate share of the net pension liability calculated using a discount rate 1% higher and 1% lower than the current rate.

	1% Decrease (6.50%)	Current Discount (7.50%)	1% Increase (8.50%)
Hospital's proportionate share of the net pension liability at December 31, 2020	$ 5,823,856	4,138,024	2,720,679

	1% Decrease (6.75%)	Current Discount (7.75%)	1% Increase (8.75%)
Hospital's proportionate share of the net pension liability at December 31, 2019	$ 4,801,321	3,214,767	1,887,643

Pension Plan Fiduciary Net Position

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

(Continued)

(10) Other Postemployment Benefits (OPEB)

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' governing body. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits

The OPEB Plan provides long-term disability (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 occurs first. Upon the death of a member who is receiving monthly disability benefits, the OPEB 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.

(Continued)

Total OPEB liability

At December 31, 2020 and 2019, the Hospital reported a liability of $316,910 and $300,088, respectively, related to its total OPEB liability. The total OPEB liability was measured as of June 30, 2020 and 2019, using actuarial valuations as of December 31, 2019 and 2018, rolled forward to June 30, 2020 and 2019. The following schedule shows the changes in the Hospital's total OPEB liability for the years ended December 31, 2020 and 2019:

	2020	2019
Total OPEB liability, beginning of year	$ 300,088	285,407
Service cost	18,321	14,484
Interest	10,588	10,914
Differences between expected and actual experience	955	19,505
Changes in assumptions or other inputs	19,027	5,897
Benefit payments	(32,069)	(36,119)
Net change	16,822	14,681
Total OPEB liability, end of year	$ 316,910	300,088

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

There are 70 active members and 3 disabled members in the plan at the June 30, 2020 measurement date and 69 active members and 4 disabled members in the plan at the June 30, 2019 measurement date. For the years ended December 31, 2019 and 2018, the Hospital recognized OPEB expense of $36,437, and $24,348, respectively. At December 31, 2020 and 2019, the Hospital reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 16,353	52,996	17,500	60,917
Changes in assumptions or other inputs	21,788	12,429	5,291	14,529
Hospital's contributions subsequent to the measurement date	22,340	-	22,548	-
	$ 60,481	65,425	45,339	75,446

(Continued)

The deferred outflows of resources related to the contributions made subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2020 will be recognized in OPEB expense over the average expected remaining services life of the plan, which is approximately 6 years at June 30, 2020. The recognition will be as follows:

Years Ending December 31,	Amount
2021	$ 5,389
2022	5,389
2023	5,389
2024	5,389
2025	5,389
Thereafter	339
	$ 27,284

Actuarial Assumptions

The total OPEB liability in the June 30, 2020 and 2019 actuarial valuations was determined using the following actuarial assumptions:

- Inflation – 2.75%
- Salary increases – 3.5% to 10.00%, including inflation and productivity
- Discount rate – 2.21% and 3.50% as of June 30, 2020 and 2019, based on the Bond Buyer General Obligation 20-Year Municipal Bond Index
- Mortality – RP-2014 Total Dataset Mortality table full generational using scale MP-2020
- Experience study – Based on the actual KPERS experience study

(Continued)

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

The following presents the total OPEB liability of the Hospital, as well as what the Hospital's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rates as of June 30, 2020 and 2019:

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB liability at December 31, 2020	$ 332,252	316,910	302,055

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability at December 31, 2019	$ 316,609	300,088	284,425

(11) Designated Net Position

At December 31, 2020 and 2019, $463,202 and $458,015, respectively, of unrestricted net position has been designated by the Hospital's Board of Trustees for capital acquisitions. Designated net position remains under the control of the Board of Trustees, which may at its discretion later use this net position for other purposes. Designated net position is reported as noncurrent cash equivalents, internally designated for capital improvements.

(Continued)

(12) Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors and patients at December 31, 2020 and 2019 were as follows:

	2020	2019
Medicare	37%	29%
State-sponsored Medicaid program	8	9
Commercial insurances	31	32
Patients	24	30
	100%	100%

The Hospital received approximately 4.8% and 4.9% of its financial support from noncapital appropriations from Edwards County in 2020 and 2019, respectively.

(13) Contingencies

Risk management

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

Malpractice insurance

The Hospital has insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of $200,000 per claim and an aggregate limit of $600,000. The Kansas Health Care Stabilization Fund provides an additional $800,000 of coverage per claim and an additional $2,400,000 of aggregate coverage. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be insured.

(Continued)

Litigation, claims and disputes

The Hospital is subject to the usual contingencies in the normal course of operations relating to the performance of tasks under its various programs. In the opinion of management, the ultimate settlement of litigation, claims and disputes in process will not be material to the financial position, operations, or cash flows of the Hospital.

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations, specifically those relating to Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity with respect to investigations and allegations concerning possible violations by health care providers of regulations could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient services.

(14) Subsequent Event - Coronavirus Pandemic

In December 2019, a novel strain of the coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the United States of America (U.S.). On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. The majority of the U.S. has since declared a state of emergency resulting in various restrictions on how the general public and business sectors operate on a daily basis. The Hospital is currently operating within the guidelines provided by both State and Federal regulatory agencies. These restrictions have resulted in a decrease in both hospital and physician elective services provided year-to-date for calendar year 2020. It is currently unknown how long these impacts will continue. The U.S. Congress has passed both the Families First Coronavirus Response Act and the Coronavirus Aid, Relief, and Economic Security Act which provide various relief programs and direct funds to both healthcare providers, such as the Hospital, and the general public to assist during the duration of the pandemic. The Hospital has received funds under these legislative acts. Currently, the U.S. Congress is considering additional legislative acts to provide more assistance to the general public and various business sectors. The extent of the final impact of the COVID-19 pandemic on the Hospital's operational and financial performance will depend on various developments, including duration and spread of COVID-19, the Hospital's ability to provide healthcare services to the general public, the impact on the local community and economy and on the Hospital's supply vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Hospital's financial condition or results of operations is uncertain.

Schedule 1

EDWARDS COUNTY HOSPITAL
D/B/A EDWARDS COUNTY MEDICAL CENTER
A Component Unit of Edwards County, Kansas

Schedule of the Hospital's Proportionate Share of the Net Pension Liability (Unaudited)
Kansas Public Employees Retirement System Plan

Last 10 Fiscal Years (See note 9)

	2020*	2019*	2018*	2017*	2016*	2015*	2014*
Hospital's proportion of the net pension liability	0.238688%	0.230058	0.209920	0.187406	0.184597	0.177877	0.182953
Hospital's proportionate share of the net pension liability	$ 4,138,024	3,214,767	2,925,844	2,714,493	2,855,770	2,335,603	2,251,809
Hospital's covered employee payroll	$ 4,474,997	4,225,997	3,731,387	3,324,731	3,169,466	2,978,242	3,018,272
Hospital's proportionate share of the net pension liability as a percentage of its covered employee payroll	92.47%	76.07	78.41	81.65	90.10	78.42	74.61
Plan fiduciary net position as a percentage of the total pension liability	66.30%	69.88	68.88	67.12	65.10	64.95	66.60

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

Note to the Schedule

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

Schedule 2

EDWARDS COUNTY HOSPITAL
D/B/A EDWARDS COUNTY MEDICAL CENTER
A Component Unit of Edwards County, Kansas

Schedule of the Hospital's Contributions (Unaudited)
Kansas Public Employees Retirement System Plan

Last 10 Fiscal Years (See note 9)

	2020*	2019*	2018*	2017*	2016*	2015*	2014*
Contractually required contribution	$ 385,540	395,481	335,165	294,107	304,374	280,706	266,944
Contribution in relation to the contractually required contribution	385,540	395,481	335,165	294,107	304,113	280,706	266,944
Contribution deficiency	$ -	-	-	-	261	-	-
Hospital's covered employee payroll	$ 4,477,820	4,448,610	3,991,815	3,592,861	3,315,621	2,968,257	3,020,983
Contributions as a percentage of covered employee payroll	8.61%	8.89	8.39	8.19	9.17	9.46	8.84

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

Note to the Schedule

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

EDWARDS COUNTY HOSPITAL
D/B/A EDWARDS COUNTY MEDICAL CENTER
A Component Unit of Edwards County, Kansas

Schedule of the Changes in the Total OPEB Liability and Related Ratios (Unaudited)
Kansas Public Employees Retirement System Plan

Last 10 Fiscal Years (See note 10)

	2020*	2019*	2018*	2017*
Service cost	$ 18,321	14,484	14,258	13,336
Interest	10,588	10,914	13,344	11,649
Effect of economic/ demographic gains or losses	955	19,505	(76,759)	-
Changes in assumptions or other inputs**	19,027	5,897	(4,790)	(15,545)
Benefit payments	(32,069)	(36,119)	(37,934)	(54,705)
Net change in total OPEB liability	16,822	14,681	(91,881)	(45,265)
Total OPEB liability - beginning of year	300,088	285,407	377,288	422,553
Total OPEB liability - end of year	$ 316,910	300,088	285,407	377,288
Hospital's covered employee payroll	$ 4,561,015	4,274,531	3,584,813	3,139,132
Total OPEB liability as a percentage of covered employee payroll	6.95%	7.02	7.96	12.02
Discount rate	2.21%	3.50	3.87	

*The amounts presented for each fiscal year are as of the measurement date (June 30 of the previous year).
**The discount rate changed from 3.50% to 2.21%.

Notes to the Schedule

No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

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