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

Independent Auditor's Report and Financial Statements

December 31, 2022 and 2021



Gove County Medical Center
A Component Unit of Gove County, Kansas
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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, 2022 and 2021, 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, 2022 and 2021, 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.

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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 management's discussion and analysis, 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.

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, LLP

Wichita, Kansas
July 13, 2023

Gove County Medical Center
A Component Unit of Gove County, Kansas
Management's Discussion and Analysis
Years Ended December 31, 2022 and 2021

Introduction

This management's discussion and analysis of the financial performance of Gove County Medical Center (Hospital) provides an overview of the Hospital and Long-Term Care's financial activities for the years ended December 31, 2022 and 2021. It should be read in conjunction with the accompanying financial statements.

Financial Highlights

- Cash and short-term investments decreased in 2022 by $3,103,252, decreased in 2021 by $1,062,072 and increased in 2020 by $6,198,215, or 38.2%, 11.6% and 206.9%, respectively. In 2022, $1,100,867 was spent on capital purchases.
- In 2022, the Hospital invested approximately $99,000 toward continuing the acquisition process for Bluestem Medical, LLP (Bluestem). Bluestem is an independent physician group that supports the Hospital for inpatient, emergency, long-term care, and medical director, as well as providing the community with a medical clinic. The acquisition is expected to be completed by the third quarter of 2023.
- The Hospital is increasing revenue through expanding and improving current department services plus new lines of service. Net operating revenues were $17,088,444 in 2022, $16,019,210 in 2021 and $14,387,057 in 2020, representing increases of 6.7% and 11.3%, respectively.
- The local Gove County tax payments received were $2,115,171 in 2022, $1,723,587 in 2021 and $1,944,803 in 2020, representing an increase of 22.7% and a decrease of 11.4%, respectively.
- The Hospital reported operating losses of $3,551,851 in 2022, $2,304,375 in 2021 and $3,243,668 in 2020, respectively.

	2022	2021	2020
Cash	$ 4,928,963	$ 8,131,473	$ 9,193,545
Short-term investments	99,258	-	-
Capital purchases	1,100,867	471,022	821,895
Net operating revenue	17,088,444	16,019,210	14,387,057
Tax revenues	2,115,171	1,723,587	1,944,803
Operating loss	(3,551,851)	(2,304,375)	(3,243,668)

Using This Annual Report

The Hospital's financial statements consist of three statements - a balance sheet; a statement of revenues, expenses and changes in net position; and a statement of cash flows. The Hospital's financial statements provide information about the activities of the Hospital including resources held by the Hospital but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Hospital is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about any Hospital's finances is "Is the Hospital as a whole better or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Position report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets, all liabilities and all deferred inflows and outflows of resources using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Hospital's net position and changes in it. The Hospital's total net position - the difference between assets, liabilities and deferred inflows and outflows of resources - is one measure of the financial health or financial position. Over time, increases or decreases in net position are an indicator of whether financial health is improving or deteriorating. Other nonfinancial factors, such as changes in patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors should also be considered to assess the overall financial health of the Hospital.

	2022	2021	2020
Assets			
Cash and investments	$ 5,028,221	$ 8,131,473	$ 9,193,545
Patient accounts receivable, net	3,188,187	3,444,546	2,376,409
Other current assets	1,355,457	612,937	1,389,138
Capital assets, net	5,611,233	5,340,716	5,701,399
Other noncurrent assets	627,431	876,724	716,798
Total assets	15,810,529	18,406,396	19,377,289
Deferred Outflows of Resources	3,214,231	2,512,271	2,006,879
Total assets and deferred outflows of resources	$ 19,024,760	$ 20,918,667	$ 21,384,168
Liabilities			
Long-term debt	$ 639,082	$ 880,845	$ 1,113,826
Net pension liability	7,680,730	4,976,998	6,173,212
Other postemployment benefits liability	72,700	117,209	95,470
Other current and noncurrent liabilities	1,622,413	3,916,133	4,548,580
Total liabilities	10,014,925	9,891,185	11,931,088
Deferred Inflows of Resources	475,028	1,913,071	208,010
Net Position			
Net investment in capital assets	4,730,387	4,226,891	4,336,068
Unrestricted	3,804,420	4,887,520	4,909,002
Total net position	8,534,807	9,114,411	9,245,070
Total liabilities, deferred inflows of resources and net position	$ 19,024,760	$ 20,918,667	$ 21,384,168

The Statement of Cash Flows

The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did the cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

	2022	2021	2020
Operating Revenues			
Net patient service revenue	$ 16,536,857	$ 15,638,951	$ 13,998,274
Other operating revenue	551,587	380,259	388,783
Total operating revenues	17,088,444	16,019,210	14,387,057
Operating Expenses			
Salaries and wages and employee benefits	12,012,635	11,389,548	11,542,100
Purchased services and professional fees	4,146,237	3,339,788	2,514,498
Depreciation and amortization	830,350	831,705	840,064
Other operating expenses	3,651,073	2,762,544	2,734,063
Total operating expenses	20,640,295	18,323,585	17,630,725
Operating Loss	(3,551,851)	(2,304,375)	(3,243,668)
Nonoperating Revenues (Expenses)			
Property and sales taxes	2,115,171	1,723,587	1,944,803
Interest income	130,809	28,544	37,812
Interest expense	(37,018)	(45,677)	(56,267)
Noncapital grants and gifts	347,859	467,262	344,440
Other nonoperating revenues	415,426	-	5,851,415
Total nonoperating revenues	2,972,247	2,173,716	8,122,203
Decrease in Net Position	$ (579,604)	$ (130,659)	$ 4,878,535

Operating Results and Changes in the Hospital's Net Position

Decrease or increase in net position is the difference between revenues and expenses on the Statement of Revenues, Expenses and Changes in Net Position. The Hospital experienced a decrease in net position in 2022 of $579,604, a decrease in net position in 2021 of $130,659 and an increase in net position in 2020 of $4,878,535. The decreases in net position in 2022 and 2021 were attributed to increases in costs without corresponding increases to revenue due to a reduction in COVID-19 related hospitalizations. The increase in net position in 2020 was due to an influx of COVID-19 stimulus monies.

Operating Losses

The first component of the overall change in the Hospital's net position is its operating income or loss—generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. For 2022, 2021 and 2020, the Hospital has reported an operating loss. The Hospital receives tax support from Gove County to offset losses and to provide and serve lower income and non-insurance covered residents.

The operating loss for 2022 increased by $1,247,476 or 54.1% percent as compared to the 2021 operating loss. The primary components of the increased operating loss are:

- An increase in drug costs and medical and surgical supplies of $260,411 or 31.9% percent.
- An increase in contract labor of $712,724 or 58.8%. The increase is due to shortages of nurses and other healthcare professionals in the United States.
- Start-up costs for two new lines of business at $131,410.
- An increase in repairs and maintenance of $107,623 or 38.1% due to aging of the facility.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of Gove County mill levy and sales taxes. 2022 saw a significant increase to interest income due to remaining unspent COVID-19 stimulus monies and increased interest rates paid on deposits. Going forward, the Hospital anticipates continued Gove County tax support, continued higher bank deposit interest rates, continued reductions to interest expense as no new debt is currently planned, and significant decreases in grants as COVID-19 stimulus monies are no longer available or at significantly reduced levels than those present at the height of the pandemic.

	2022	2021	2020
Gove County - mill levy	$ 1,262,466	$ 1,219,587	$ 1,343,311
Gove County - sales tax	852,705	504,000	601,492
Interest income	130,809	28,544	37,812
Grants and donations	347,859	467,262	344,440

Capital Assets

At the end of 2022, the Hospital designated approximately $200,000 for either future construction and/or future capital expenditures.

Debt

At December 31, 2021, the Hospital had $880,846 in long-term debt outstanding. The Hospital issued no new long-term debt in 2022. The Hospital's debt issuances are subject to limitations imposed by state law. There have been no changes in the Hospital's debt ratings in the past three years.

Other Economic Factors

As of January 2023, the estimate is that 1 in 5 of United States residents will be 65 and older, with all but 4% of that population on Medicare. Kansas continues to be a non-Medicaid expansion state, with reports showing a 1:1 correlation between hospital closures and non-Medicaid expansion states. Medicare and Medicaid are the majority payers at 64% of net patient service revenue for 2022 for this governmental hospital. This, as well as continued financial concerns about long-term viability given the rise in eligible population coupled with rising healthcare costs is driving concern for long-term sustainability. These factors, along with an annual negative impact of approximately $1 million for a long-term care unit to be attached to a critical access hospital, forced the Hospital to close the long-term care facility and spin off the independent living in early 2023. Although these actions pose a significant community loss, the viability of the hospital would remain in jeopardy without these necessary actions.

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the Hospital's finances and to show accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Chief Financial Officer by telephoning 785-754-5150.

Gove County Medical Center
A Component Unit of Gove County, Kansas
Balance Sheets
December 31, 2022 and 2021

Assets and Deferred Outflows of Resources

	2022	2021
Current Assets		
Cash	$ 4,928,963	$ 8,131,473
Short-term investments	99,258	-
Patient accounts receivable, net of allowance;		
2022 - $117,000, 2021 - $119,000	3,188,187	3,444,546
Estimated amounts due from third-party payers	735,000	-
Supplies	249,045	407,936
Prepaid expenses and other	171,767	143,152
Sales taxes receivable	199,645	61,849
Total current assets	9,571,865	12,188,956
Capital Assets, Net	5,611,233	5,340,716
Other Assets	627,431	876,724
Total assets	15,810,529	18,406,396
Deferred Outflows of Resources		
Pension	3,208,922	2,506,150
Other postemployment benefits	5,309	6,121
Total deferred outflows of resources	3,214,231	2,512,271
Total assets and deferred outflows of resources	$ 19,024,760	$ 20,918,667

See Notes to Finalcial Statements

Liabilities, Deferred Inflows of Resources and Net Position

	2022	2021
Current Liabilities		
Current maturities of long-term debt	$ 241,764	$ 232,980
Accounts payable	641,395	445,835
Accrued expenses	482,709	573,364
Accrued vacation pay	256,545	460,144
Estimated amounts due to third-party payers	-	360,000
Unearned revenue	-	463,817
Advance from Medicare	-	1,379,993
Total current liabilities	1,622,413	3,916,133
Long-term Debt	639,082	880,845
Net Pension Liability	7,680,730	4,976,998
Total Other Postemployment Benefits Liability	72,700	117,209
Total liabilities	10,014,925	9,891,185
Deferred Inflows of Resources		
Pension	323,692	1,815,582
Other postemployment benefits	151,336	97,489
Total deferred inflows of resources	475,028	1,913,071
Net Position		
Net investment in capital assets	4,730,387	4,226,891
Unrestricted	3,804,420	4,887,520
Total net position	8,534,807	9,114,411
Total liabilities, deferred inflows of resources and net position	$ 19,024,760	$ 20,918,667

Gove County Medical Center
A Component Unit of Gove County, Kansas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2022 and 2021

	2022	2021
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2022 - $250,919, 2021 - $213,277	$ 16,536,857	$ 15,638,951
Other	551,587	380,259
Total operating revenues	17,088,444	16,019,210
Operating Expenses		
Salaries and wages	8,319,675	7,798,821
Employee benefits	3,692,960	3,590,727
Purchased services and professional fees	4,146,237	3,339,788
Drugs	552,638	456,034
Medical and surgical supplies	525,231	361,424
Utilities	301,609	264,135
Repairs and maintenance	390,048	282,425
Supplies and other	1,881,547	1,398,526
Depreciation	830,350	831,705
Total operating expenses	20,640,295	18,323,585
Operating Loss	(3,551,851)	(2,304,375)
Nonoperating Revenues (Expenses)		
Noncapital appropriations - Gove County	1,262,466	1,219,587
Sales tax revenue	852,705	504,000
Interest income	130,809	28,544
Interest expense	(37,018)	(45,677)
Provider Relief Funds (*CARES Act*)	415,426	-
Noncapital grants and gifts	347,859	467,262
Total nonoperating revenues	2,972,247	2,173,716
Decrease in Net Position	(579,604)	(130,659)
Net Position, Beginning of Year	9,114,411	9,245,070
Net Position, End of Year	$ 8,534,807	$ 9,114,411

Gove County Medical Center
A Component Unit of Gove County, Kansas
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows From Operating Activities		
Receipts from and on behalf of patients	$ 14,318,223	$ 14,426,164
Payments to suppliers and contractors	(7,222,181)	(6,164,374)
Payments to employees	(11,787,669)	(11,693,297)
Other receipts, net	87,770	750,834
Net cash used in operating activities	(4,603,857)	(2,680,673)
Cash Flows From Noncapital Financing Activities		
Noncapital appropriations - Gove County	1,262,466	1,219,587
Sales tax revenue	714,909	671,413
Provider Relief Funds (*CARES Act*)	415,426	-
Noncapital grants and gifts	347,859	467,262
Net cash provided by noncapital financing activities	2,740,660	2,358,262
Cash Flows From Capital and Related Financing Activities		
Principal paid on long-term debt	(232,979)	(251,506)
Interest paid on long-term debt	(37,018)	(45,677)
Purchase of capital assets	(1,100,867)	(471,022)
Net cash used in capital and related financing activities	(1,370,864)	(768,205)
Cash Flows From Investing Activities		
Interest income	130,809	28,544
Purchase of investments	(99,258)	-
Net cash provided by investing activities	31,551	28,544
Decrease in Cash	(3,202,510)	(1,062,072)
Cash, Beginning of Year	8,131,473	9,193,545
Cash, End of Year	$ 4,928,963	$ 8,131,473

Gove County Medical Center
A Component Unit of Gove County, Kansas
Statements of Cash Flows (Continued)
Years Ended December 31, 2022 and 2021

	2022	2021
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (3,551,851)	$ (2,304,375)
Depreciation	830,350	831,705
Changes in operating assets and liabilities		
Patient accounts receivable, net	256,359	(1,068,137)
Estimated amounts due from and to third-party payers	(1,095,000)	990,000
Accounts payable and accrued expenses	(98,694)	(209,847)
Unearned revenue	(463,817)	370,575
Advance from Medicare	(1,379,993)	(1,134,650)
Net pension liability	2,703,732	(1,196,214)
Total other postemployment benefits liability	(44,509)	21,739
Deferred outflows of resources - pension and OPEB	(701,960)	(505,392)
Deferred inflows of resources - pension and OPEB	(1,438,043)	1,705,061
Other assets and liabilities	379,569	(181,138)
Net cash used in operating activities	$ (4,603,857)	$ (2,680,673)

Gove County Medical Center
A Component Unit of Gove County, Kansas
Notes to Financial Statements
December 31, 2022 and 2021

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

Nature of Operations and Reporting Entity

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

Basis of Accounting and Presentation

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

Use of Estimates

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

Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2022 and 2021, there were no cash equivalents.

Noncapital Appropriations – Gove County and Sales Tax Revenue

The Hospital received approximately 11% and 10% of its financial support from the proceeds of noncapital appropriations from Gove County and sales taxes in 2022 and 2021, 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, 2022 and 2021.

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.

Leases

Effective January 1, 2022, the Hospital adopted GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease

receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. 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 lease agreements that were in effect during 2021 and 2022 are immaterial to the financial statements, as a result there are no right-to-use assets or lease liabilities recorded on the balance sheets. The Hospital will be required to recognize substantially all long-term leases on the balance sheet for any future lease contracts.

Cost-Sharing Defined Benefit Pension Plan

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

Defined Benefit Other Postemployment Benefit Plan

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

Deferred Inflows of Resources

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

Net Position

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

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

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

Net Patient Service Revenue

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

Charity Care

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

Provider Relief Funds (CARES Act)

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

Income Taxes

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

Note 2: Deposits

Deposits

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

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

At December 31, 2022 and 2021, $4,756,735 and $7,752,235 of the Hospital's bank balances of $5,114,171 and $8,212,706, respectively, were exposed to custodial credit risk as follows:

	2022	2021
Uninsured and collateral held by pledging financial institution's trust department or agent in other than the Hospital's name	$ 4,756,735	$ 7,752,235

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, 2022 and 2021, the Hospital had $99,258 and $0, 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:

	2022	2021
Carrying value		
Deposits	$ 4,928,663	$ 8,131,173
Cash on hand	300	300
Investments	99,258	-
	$ 5,028,221	$ 8,131,473
Included in the following balance sheet captions		
Cash	$ 4,928,963	$ 8,131,473
Short-term investments	99,258	-
	$ 5,028,221	$ 8,131,473

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:

	2022	2021
Medicare	$ 1,335,209	$ 1,610,882
Medicaid	195,460	64,902
Blue Cross	644,848	794,728
Other third-party payers	411,809	474,388
Patients	717,861	618,646
	3,305,187	3,563,546
Less allowance for uncollectible accounts	117,000	119,000
	$ 3,188,187	$ 3,444,546

Note 4: Capital Assets

Capital assets activity for the years ended December 31 was:

	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

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

Note 5: Long-term Obligations

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

	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

	2021					
	Beginning Balance	Additions	Payments	Ending Balance	Amounts Due Within One Year	Long-term Portion
Long-term Debt						
Note payable – County	$ 166,965	$ -	$ 27,828	$ 139,137	$ 27,828	$ 111,309
Financed capital purchases	1,198,366	-	223,678	974,688	205,152	769,536
Total long-term obligations	$ 1,365,331	$ -	$ 251,506	$ 1,113,825	$ 232,980	$ 880,845

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, 2022, are as follows:

Year Ending December 31,	Total to be Paid	Principal	Interest
2023	$ 27,827	$ 27,827	$ -
2024	27,827	27,827	-
2025	27,827	27,827	-
2026	27,829	27,829	-
	$ 111,310	$ 111,310	$ -

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, 2022, are as follows:

Year Ending December 31,	Total to be Paid	Principal	Interest
2023	$ 242,170	$ 213,937	$ 28,233
2024	242,170	223,097	19,073
2025	242,170	232,649	9,521
2026	100,904	99,853	1,051
	$ 827,414	$ 769,536	$ 57,878

Note 6: Medical Malpractice Coverage and Claims

The Hospital purchases medical malpractice insurance which provides $500,000 and $200,000 of coverage for each medical incident and $1,500,000 and $600,000 of aggregate coverage for the policy years ending December 31, 2022 and 2021, respectively. The policy is claims-made, which only covers claims made and reported to the insurer during the policy term, regardless of when the incident giving rise to the claim occurred. The Kansas Health Care Stabilization Fund provides an additional $800,000 of coverage for each medical incident and $2,400,000 of aggregate coverage for each policy year.

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

Note 7: Net Patient Service Revenue

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

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

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

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

Approximately 64% and 57% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2022 and 2021, 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, 2022 and 2021, was 8.90% and 8.87% 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, 2022 and 2021, were $686,614 and $675,459, respectively.

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

At December 31, 2022 and 2021, the Hospital reported a liability of $7,680,730 and $4,976,998, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and 2021, respectively, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of December 31, 2021 and 2020, respectively, rolled forward to June 30, 2022 and 2021, 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, 2022, the Hospital's proportion was 0.386346%, which was a decrease of 0.028419% from its proportion measured as of June 30, 2021, of 0.414765%. At June 30, 2020, the proportion was 0.356081%.

For the years ended December 31, 2022 and 2021, the Hospital recognized pension expense of $1,198,048 and $691,279, respectively. At December 31, 2022 and 2021, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	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

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

At December 31, 2022, the Hospital reported $337,537 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2022, related to pensions will be recognized in pension expense as follows:

2023	$ 792,972
2024	717,752
2025	372,160
2026	649,552
2027	15,257
	$ 2,547,693

Actuarial Assumptions

The total pension liability in the December 31, 2021 and 2020, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2021	2020
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%	7.25%

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, 2021 and 2020, actuarial valuations.

The actuarial assumptions used in the December 31, 2021 and 2020, 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:

	2022		2021	
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% and 7.25%, for the years ended June 30, 2022 and 2021, respectively. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the contractually required rate. Participating employer contributions do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by KPERS' Board of Trustees for these groups may not increase by more than the statutory cap. The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The Hospital's proportionate share of the net pension liability has been calculated using a discount rate of 7.00%. 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, 2022:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Hospital's proportionate share of the net pension liability	$ 11,033,617	$ 7,680,730	$ 4,887,288

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:

	2022	2021
Active employees	137	146
Disabled employees	1	2
	138	148

Total OPEB Liability

The Hospital's total OPEB liability of $72,700 and $117,209 was measured as of June 30, 2022 and 2021, for the years ended December 31, 2022 and 2021, respectively, and was determined by actuarial valuations as of December 31, 2021 and 2020, respectively, and rolled forward to June 30, 2022 and 2021, respectively.

The total OPEB liability in the December 31, 2021 and 2020, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2022	2021
Inflation	2.75%	2.75%
Discount rate	3.54%	2.16%
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 2.21% in 2020 to 2.16% in 2021 and to 3.54% in 2022.

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, 2022 and 2021, actuarial valuations.

The actuarial assumptions used in the December 31, 2021 and 2020, 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:

	2022	2021
Balance, beginning of year	$ 117,209	$ 95,470
Changes for the year:		
Service cost	30,542	25,071
Interest	3,160	2,651
Differences between expected and actual experience	(45,692)	(4,961)
Changes of assumptions	(29,515)	181
Benefit payments	(3,004)	(1,203)
Net changes	(44,509)	21,739
Balance, end of year	$ 72,700	$ 117,209

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

The total OPEB liability of the Hospital, at December 31, 2022, has been calculated using a discount rate of 3.54%. The following presents the total OPEB liability using a discount rate 1% higher and 1% lower than the current discount rate.

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
Hospital's total OPEB liability	$ 75,485	$ 72,700	$ 69,682

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, 2022 and 2021, the Hospital recognized OPEB expense of $13,154 and $14,650, respectively. At December 31, 2022 and 2021, the Hospital reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

	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

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

Amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2022, related to OPEB will be recognized in OPEB expense as follows:

2023	$ 20,548
2024	20,548
2025	20,548
2026	20,279
2027	18,643
Thereafter	45,461
	$ 146,027

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, 2022 and 2021, the Hospital received $0 and $415,426, 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, 2022 and 2021, the Hospital recognized $415,426 and $0, respectively, related to the Provider Relief Fund, and these payments are recorded as Provider Relief Funds (*CARES Act*), classified as nonoperating revenues in the accompanying statements of revenues, expenses and changes in net position. The unrecognized amount of Provider Relief Fund distributions of $0 and $415,426 is recorded as a component of unearned revenue in the accompanying balance sheets for the years ended December 31, 2022 and 2021, respectively.

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.

Medicare Accelerated and Advanced Payment Program

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

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

During the year ended December 31, 2020, the Hospital received $2,514,643 from these accelerated Medicare payment requests. During the years ended December 31, 2022 and 2021, Medicare applied $1,379,993 and $1,134,650, respectively, from these accelerated Medicare payment requests against filed claims. The unapplied amount of accelerated Medicare payment requests is recorded under the caption advance from Medicare in the accompanying balance sheets and classified as a long-term liability based upon payback provisions in effect at December 31, 2021.

Other COVID-19 Funding

During the years ended December 31, 2022 and 2021, 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 $205,493 and $0 related to the SHIP grant and recorded a receivable of $51,874 and $0 for the years ended December 31, 2022 and 2021, respectively. The Hospital recognized $257,367 and $0 of revenue during 2022 and 2021, respectively, related to this grant and the revenue is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

In November 2021, the Hospital received $83,575 from a distribution from the Frontline Hospital Employee Retention Plan program. Funding under this program was utilized by the Hospital to retain existing clinical staff and re-hire retirees who have retired since March 1, 2020. The Hospital recognized $48,391 and $35,184 of revenue during 2022 and 2021, respectively, related to this funding and the revenue is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position. The unrecognized amount of this funding of $48,391 is recorded as a component of unearned revenue in the accompanying balance sheets for the year ended December 31, 2021.

Note 11: Subsequent Events

Effective June 2, 2023, the Hospital closed its long-term care unit.

Note 12: Future Change in Accounting Principle

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA) provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

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

	2022 *	2021 *	2020 *	2019 *
Hospital's proportion of the net pension liability	0.386346%	0.414765%	0.356081%	0.330458%
Hospital's proportionate share of the net pension liability	$ 7,680,730	$ 4,976,998	$ 6,173,212	$ 4,617,729
Hospital's covered-employee payroll	$ 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	99.56%	69.64%	95.57%	76.49%
Plan fiduciary net position as a percentage of the total pension liability	69.75%	76.40%	66.30%	69.88%

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

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

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

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

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

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

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

	2022 *	2021 *	2020 *	2019 *
Total OPEB Liability				
Service cost	$ 30,542	$ 25,071	$ 19,810	$ 17,362
Interest	3,160	2,651	5,819	6,786
Differences between expected and actual experience	(45,692)	(4,961)	(69,857)	(19,973)
Changes in assumptions	(29,515)	181	5,281	2,525
Benefit payments	(3,004)	(1,203)	(23,876)	(12,639)
Net Change in Total OPEB Liability	(44,509)	21,739	(62,823)	(5,939)
Hospital's Total OPEB Liability - Beginning	117,209	95,470	158,293	164,232
Hospital's Total OPEB Liability - Ending	$ 72,700	$ 117,209	$ 95,470	$ 158,293
Hospital's Covered-employee Payroll	$ 6,954,752	$ 7,518,812	$ 6,367,739	$ 5,550,333
Hospital's Total OPEB Liability as a Percentage of Covered-Employee Payroll	1.05%	1.56%	1.50%	2.85%
Changes of Assumptions				
Discount rate	3.54%	2.16%	2.21%	3.50%

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).

2018 *	2017 *
$ 17,178	$ 18,949
7,085	5,699
(30,773)	-
(2,602)	(8,031)
(14,617)	(19,219)
(23,729)	(2,602)
187,961	190,563
$ 164,232	$ 187,961
$ 5,157,397	$ 5,215,125
3.18%	3.60%
3.87%	3.58%

Supplementary Information

Gove County Medical Center
A Component Unit of Gove County, Kansas
Net Patient Service Revenue
Years Ended December 31, 2022 and 2021

	2022		
	Inpatient	Outpatient	Total
Hospital nursing service	$ 1,460,945	$ -	$ 1,460,945
Nursery	101,625	-	101,625
Long-term care	2,902,687	-	2,902,687
Operating room	137,418	1,033,832	1,171,250
Delivery room	273,324	-	273,324
Anesthesiology	78,383	179,508	257,891
Radiology	525,653	4,005,478	4,531,131
Laboratory	559,554	3,272,281	3,831,835
Respiratory therapy	717,642	77,256	794,898
Physical therapy	183,982	931,299	1,115,281
Occupational therapy	68,505	69,938	138,443
Speech therapy	5,270	26,737	32,007
Electrocardiology	61,705	256,413	318,118
Cardiac rehabilitation	-	59,725	59,725
Cancer rehabilitation	-	-	-
Implantable devices	3,148	24,169	27,317
Medical supplies	160,069	40,587	200,656
Pharmacy	1,031,009	880,116	1,911,125
Orthopedic, urology, ENT, pain clinics	1,826	447,745	449,571
Emergency room	48,784	916,079	964,863
Observation	7,858	274,359	282,217
Sleep lab	-	417,544	417,544
Senior life solutions	-	2,540	2,540
Home health agency	-	11,660	11,660
Independent living	90,287	-	90,287
	$ 8,419,674	$ 12,927,266	21,346,940
Provision for uncollectible accounts			250,919
Contractual allowances and charity care			4,559,164
Net patient service revenue			$ 16,536,857

2021		
Inpatient	Outpatient	Total
$ 1,349,100	$ -	$ 1,349,100
93,286	-	93,286
2,386,582	-	2,386,582
159,629	1,330,778	1,490,407
182,864	-	182,864
79,553	222,527	302,080
481,333	4,163,091	4,644,424
463,988	3,387,072	3,851,060
753,558	55,727	809,285
157,753	1,029,473	1,187,226
48,937	115,131	164,068
4,285	22,569	26,854
26,968	185,244	212,212
-	48,239	48,239
-	660	660
-	-	-
143,901	75,192	219,093
963,946	983,766	1,947,712
11,610	454,283	465,893
61,402	850,247	911,649
4,025	93,101	97,126
-	435,808	435,808
-	-	-
-	10,186	10,186
85,210	-	85,210
$ 7,457,930	$ 13,463,094	20,921,024
		213,277
		5,068,796
		$ 15,638,951

Gove County Medical Center
A Component Unit of Gove County, Kansas
Contractual Adjustments, Charity Care and Other Operating Revenues
Years Ended December 31, 2022 and 2021

Contractual Adjustments and Charity Care

	2022	2021
Charity Care	$ 70,091	$ 44,081
Contractual Adjustments		
Medicare and Medicaid – Hospital	1,915,579	2,421,983
Blue Cross – Hospital	1,950,691	1,888,617
Commercial insurance – Hospital	336,521	522,364
Medicaid – long-term care facility	(53,619)	(82,669)
Administrative adjustments	339,901	274,420
	$ 4,559,164	$ 5,068,796

Other Operating Revenues

	2022	2021
Day care revenue	$ 182,976	$ 117,813
Contract revenue	43,663	64,711
Cafeteria sales	34,693	47,778
Rent	64,008	46,200
Guest meals	4,231	5,729
Gain (loss) on disposal of capital assets	(202)	-
Miscellaneous	222,218	98,028
	$ 551,587	$ 380,259

Gove County Medical Center
A Component Unit of Gove County, Kansas
Operating Expenses
Years Ended December 31, 2022 and 2021

	2022		
	Salaries	Other	Total
Hospital nursing service	$ 1,260,468	$ 1,123,747	$ 2,384,215
Nursery	15,599	11,260	26,859
Long-term care	1,876,366	369,453	2,245,819
Operating room	132,809	181,489	314,298
Delivery room	118,467	432,815	551,282
Anesthesiology	-	171,469	171,469
Radiology	367,211	358,534	725,745
Laboratory	400,088	1,051,555	1,451,643
Respiratory therapy	185,908	7,454	193,362
Physical therapy	425,425	144,657	570,082
Occupational therapy	6,116	169,968	176,084
Speech therapy	-	27,140	27,140
Electrocardiology	9,359	1,786	11,145
Cardiac rehabilitation	49,848	1,121	50,969
Implantable devices	-	5,027	5,027
Cancer rehabilitation	-	-	-
Medical supplies	126,119	123,361	249,480
Pharmacy	81,040	765,055	846,095
Orthopedic, urology, ENT, pain clinics	82,883	128,054	210,937
Emergency room	50,758	708,791	759,549
Sleep lab	71,337	60,546	131,883
Senior life solutions	-	158,815	158,815
Home health agency	979	8,480	9,459
Depreciation	-	830,350	830,350
Employee benefits	-	3,648,243	3,648,243
Administrative and general	1,434,837	1,066,977	2,501,814
Operation of plant	214,209	432,053	646,262
Laundry and linen	76,316	8,923	85,239
Housekeeping	183,457	29,375	212,832
Dietary	439,028	204,782	643,810
Nursing service administration	437,819	35,558	473,377
Purchasing	59,350	8,748	68,098
Medical records	213,879	45,034	258,913
	$ 8,319,675	$ 12,320,620	$ 20,640,295

2021		
Salaries	Other	Total
$ 1,181,469	$ 841,289	$ 2,022,758
12,775	1,941	14,716
1,807,405	230,698	2,038,103
136,505	227,871	364,376
84,955	403,082	488,037
-	139,284	139,284
307,478	384,094	691,572
448,564	718,684	1,167,248
177,912	2,674	180,586
405,207	123,504	528,711
82,290	7,431	89,721
-	20,948	20,948
11,980	2,025	14,005
45,370	1,585	46,955
-	-	-
444	-	444
112,014	139,244	251,258
88,543	652,560	741,103
37,742	102,573	140,315
67,341	709,258	776,599
103,745	13,946	117,691
-	-	-
1,635	3,257	4,892
-	831,705	831,705
-	3,590,727	3,590,727
1,299,519	759,415	2,058,934
200,554	347,012	547,566
94,821	9,508	104,329
165,120	23,122	188,242
394,013	165,700	559,713
290,996	9,219	300,215
51,362	6,952	58,314
189,062	55,456	244,518
$ 7,798,821	$ 10,524,764	$ 18,323,585