

Gove County Medical Center
A Component Unit of Gove County, Kansas
Independent Auditor's Report and Financial Statements
December 31, 2019 and 2018

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Independent Auditor's Report

Board of Trustees
Gove County Medical Center
Quinter, Kansas

We have audited the accompanying financial statements of Gove County Medical Center (the Hospital), a component unit of Gove County, Kansas, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the provisions of the Kansas Municipal Audit and Accounting Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gove County Medical Center as of December 31, 2019 and 2018, and changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the pension and other postemployment benefits information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hospital's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BKD, LLP

Wichita, Kansas
June 18, 2020

Gove County Medical Center
A Component Unit of Gove County, Kansas
Balance Sheets
December 31, 2019 and 2018

Assets and Deferred Outflows of Resources

	<u>2019</u>	<u>2018</u>
Current Assets		
Cash	\$ 2,995,330	\$ 2,277,315
Restricted cash - under debt agreement	-	40,000
Patient accounts receivable, net of allowance; 2019 - \$198,000, 2018 - \$245,000	1,961,655	2,397,365
Estimated amounts due from Medicare	260,000	350,000
Supplies	258,385	294,534
Prepaid expenses and other	131,290	190,166
Sales taxes receivable	<u>130,951</u>	<u>1,511</u>
Total current assets	5,737,611	5,550,891
Capital Assets, Net	5,719,568	5,900,775
Other Assets	<u>315,665</u>	<u>77,241</u>
Total assets	<u>11,772,844</u>	<u>11,528,907</u>
Deferred Outflows of Resources		
Pension	781,239	641,412
Other postemployment benefits	<u>2,265</u>	<u>-</u>
Total deferred outflows of resources	<u>783,504</u>	<u>641,412</u>
Total assets and deferred outflows of resources	<u>\$ 12,556,348</u>	<u>\$ 12,170,319</u>

Liabilities, Deferred Inflows of Resources and Net Position

	<u>2019</u>	<u>2018</u>
Current Liabilities		
Current maturities of long-term debt	\$ 278,972	\$ 298,267
Accounts payable	319,218	215,784
Accrued expenses	698,914	540,874
Accrued vacation pay	482,795	432,620
Estimated amounts due to Medicare	30,000	-
	<u>1,809,899</u>	<u>1,487,545</u>
Long-term Debt	1,365,332	1,644,304
Net Pension Liability	4,617,729	4,400,404
Total Other Postemployment Benefits Liability	<u>158,293</u>	<u>164,232</u>
Total liabilities	<u>7,951,253</u>	<u>7,696,485</u>
Deferred Inflows of Resources		
Pension	188,614	284,615
Other postemployment benefits	49,946	36,301
	<u>238,560</u>	<u>320,916</u>
Net Position		
Net investment in capital assets	4,075,264	3,958,204
Restricted - expendable for debt service	-	40,000
Unrestricted	291,271	154,714
	<u>4,366,535</u>	<u>4,152,918</u>
Total net position	<u>4,366,535</u>	<u>4,152,918</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 12,556,348</u>	<u>\$ 12,170,319</u>

Gove County Medical Center
A Component Unit of Gove County, Kansas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2019 and 2018

	2019	2018
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2019 - \$283,696, 2018 - \$96,047	\$ 13,451,668	\$ 12,985,051
Other	423,111	447,264
Total operating revenues	13,874,779	13,432,315
Operating Expenses		
Salaries and wages	6,985,368	6,348,974
Employee benefits	3,000,393	2,266,314
Purchased services and professional fees	2,629,196	2,411,847
Drugs	607,578	379,236
Medical and surgical supplies	380,558	439,348
Utilities	242,307	249,923
Repairs and maintenance	260,946	255,573
Supplies and other	1,020,842	1,043,778
Depreciation	664,314	686,212
Total operating expenses	15,791,502	14,081,205
Operating Loss	(1,916,723)	(648,890)
Nonoperating Revenues (Expenses)		
Noncapital appropriations - Gove County	1,340,000	1,155,157
Sales tax revenue	629,440	516,089
Interest income	92,500	59,681
Interest expense	(66,973)	(77,234)
Impairment gain	-	1,435,824
Noncapital grants and gifts	135,373	189,197
Total nonoperating revenues	2,130,340	3,278,714
Increase in Net Position	213,617	2,629,824
Net Position, Beginning of Year	4,152,918	1,523,094
Net Position, End of Year	\$ 4,366,535	\$ 4,152,918

Gove County Medical Center
A Component Unit of Gove County, Kansas
Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating Activities		
Receipts from and on behalf of patients	\$ 14,007,378	\$ 11,891,574
Payments to suppliers and contractors	(5,181,392)	(4,680,808)
Payments to employees	(9,790,608)	(8,611,473)
Other receipts, net	423,111	470,902
	<u> </u>	<u> </u>
Net cash used in operating activities	<u>(541,511)</u>	<u>(929,805)</u>
Noncapital Financing Activities		
Noncapital appropriations - Gove County	1,340,000	1,155,157
Sales tax revenue	500,000	565,214
Noncapital grants and gifts	135,373	189,197
	<u> </u>	<u> </u>
Net cash provided by noncapital financing activities	<u>1,975,373</u>	<u>1,909,568</u>
Capital and Related Financing Activities		
Insurance recoveries on capital assets	-	1,435,824
Principal paid on long-term debt	(298,267)	(288,019)
Interest paid on long-term debt	(66,973)	(77,234)
Purchase of capital assets	(483,107)	(1,580,052)
	<u> </u>	<u> </u>
Net cash used in capital and related financing activities	<u>(848,347)</u>	<u>(509,481)</u>
Investing Activities		
Interest income	92,500	59,681
	<u> </u>	<u> </u>
Net cash provided by investing activities	<u>92,500</u>	<u>59,681</u>
Increase in Cash	678,015	529,963
Cash, Beginning of Year	<u>2,317,315</u>	<u>1,787,352</u>
Cash, End of Year	<u><u>\$ 2,995,330</u></u>	<u><u>\$ 2,317,315</u></u>

Gove County Medical Center
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Statements of Cash Flows (Continued)
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Reconciliation of Cash to the Balance Sheets		
Cash in current assets	\$ 2,995,330	\$ 2,277,315
Cash in restricted cash – current	-	40,000
	<u> </u>	<u> </u>
Total cash	<u>\$ 2,995,330</u>	<u>\$ 2,317,315</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (1,916,723)	\$ (648,890)
Depreciation	664,314	686,212
Gain on disposal of capital assets	-	23,638
Changes in operating assets and liabilities		
Patient accounts receivable, net	435,710	(898,477)
Estimated amounts due from and to Medicare	120,000	(195,000)
Accounts payable and accrued expenses	311,649	226,807
Net pension liability	217,325	(60,810)
Total other postemployment benefits liability	(5,939)	(23,729)
Deferred outflows of resources - pension and OPEB	(142,092)	(13,751)
Deferred inflows of resources - pension and OPEB	(82,356)	(94,367)
Other assets and liabilities	(143,399)	68,562
	<u> </u>	<u> </u>
Net cash used in operating activities	<u>\$ (541,511)</u>	<u>\$ (929,805)</u>

Gove County Medical Center
A Component Unit of Gove County, Kansas
Notes to Financial Statements
December 31, 2019 and 2018

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, 2019 and 2018, there were no cash equivalents.

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Noncapital Appropriations – Gove County and Sales Tax Revenue

The Hospital received approximately 12% and 11% of its financial support from the proceeds of noncapital appropriations from Gove County and sales taxes in both 2019 and 2018, 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 2020.

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, determined using the first-in, first-out method, or net realizable value.

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Notes to Financial Statements
December 31, 2019 and 2018

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligation are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the 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. No asset impairment was recognized during the years ended December 31, 2019 and 2018.

Other Assets

The Hospital has entered into income guarantee arrangements with two physicians. Under the agreements, the Hospital has a maximum payment obligation of \$16,667 per month per physician for a 24-month period from September 1, 2019 through August 31, 2021. 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.

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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 three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Hospital. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

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.

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Notes to Financial Statements
December 31, 2019 and 2018

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.

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.

Electronic Health Records Incentive Program

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records (EHR) technology. Critical access hospitals (CAHs) are eligible to receive incentive payments for up to four years under the Medicare program for its reasonable costs of the purchase of certified EHR technology multiplied by the Hospital's Medicare utilization plus 20%, limited to 100% of the costs incurred. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services (CMS). Payment under both programs are contingent on the hospital continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year under both programs is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The Hospital recorded revenue under the Medicaid EHR program of \$0 and \$57,461 for the years ended December 31, 2019 and 2018, respectively, which is included in other operating revenue in the statements of revenues, expenses and changes in net position.

Note 2: 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

Gove County Medical Center
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Notes to Financial Statements
December 31, 2019 and 2018

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 60% and 59% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2019 and 2018, 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 3: 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.

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Notes to Financial Statements
December 31, 2019 and 2018

At December 31, 2019 and 2018, \$279,549 and \$144,540 of the Hospital's bank balances of \$3,177,089 and \$2,314,258, respectively, were exposed to custodial credit risk as follows:

	2019	2018
Uninsured and uncollateralized	\$ 279,549	\$ 144,540

Summary of Carrying Values

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

	2019	2018
Carrying value		
Deposits	\$ 2,995,030	\$ 2,317,015
Cash on hand	300	300
	\$ 2,995,330	\$ 2,317,315
Included in the following balance sheet captions		
Cash	\$ 2,995,330	\$ 2,277,315
Restricted cash - current	-	40,000
	\$ 2,995,330	\$ 2,317,315

Note 4: 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:

	2019	2018
Medicare	\$ 891,349	\$ 1,207,859
Medicaid	187,992	109,056
Blue Cross	390,729	370,141
Other third-party payers	273,513	426,147
Patients	416,072	529,162
	2,159,655	2,642,365
Less allowance for uncollectible accounts	198,000	245,000
	\$ 1,961,655	\$ 2,397,365

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Notes to Financial Statements
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Note 5: Capital Assets

Capital assets activity for the years ended December 31 was:

	2019				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Land	\$ 153,039	\$ -	\$ -	\$ -	\$ 153,039
Land improvements	136,374	-	-	-	136,374
Buildings and leasehold improvements	6,387,300	27,417	-	1,377,012	7,791,729
Fixed equipment	4,341,822	7,702	-	13,174	4,362,698
Major moveable equipment	4,408,419	275,346	(69,583)	26,823	4,641,005
Construction in progress	1,244,367	172,642	-	(1,417,009)	-
	<u>16,671,321</u>	<u>483,107</u>	<u>(69,583)</u>	<u>-</u>	<u>17,084,845</u>
Less accumulated depreciation					
Land improvements	120,687	3,573	-	-	124,260
Buildings and leasehold improvements	5,629,725	87,756	-	-	5,717,481
Fixed equipment	1,500,477	270,437	-	-	1,770,914
Major moveable equipment	<u>3,519,657</u>	<u>302,548</u>	<u>(69,583)</u>	<u>-</u>	<u>3,752,622</u>
	<u>10,770,546</u>	<u>664,314</u>	<u>(69,583)</u>	<u>-</u>	<u>11,365,277</u>
Capital Assets, Net	<u>\$ 5,900,775</u>	<u>\$ (181,207)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,719,568</u>

Gove County Medical Center
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Notes to Financial Statements
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	2018				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Land	\$ 153,039	\$ -	\$ -	\$ -	\$ 153,039
Land improvements	137,874	-	(1,500)	-	136,374
Buildings and leasehold improvements	6,876,434	40,943	(557,733)	27,656	6,387,300
Fixed equipment	4,374,394	8,390	(40,962)	-	4,341,822
Major moveable equipment	4,307,694	253,474	(184,940)	32,191	4,408,419
Construction in progress	26,969	1,277,245	-	(59,847)	1,244,367
	<u>15,876,404</u>	<u>1,580,052</u>	<u>(785,135)</u>	<u>-</u>	<u>16,671,321</u>
Less accumulated depreciation					
Land improvements	118,543	3,644	(1,500)	-	120,687
Buildings and leasehold improvements	6,091,819	91,769	(553,863)	-	5,629,725
Fixed equipment	1,261,883	279,956	(41,362)	-	1,500,477
Major moveable equipment	3,373,586	310,843	(164,772)	-	3,519,657
	<u>10,845,831</u>	<u>686,212</u>	<u>(761,497)</u>	<u>-</u>	<u>10,770,546</u>
Capital Assets, Net	<u>\$ 5,030,573</u>	<u>\$ 893,840</u>	<u>\$ (23,638)</u>	<u>\$ -</u>	<u>\$ 5,900,775</u>

Note 6: Medical Malpractice Claims

The Hospital purchases medical malpractice insurance which provides \$200,000 of coverage for each medical incident and \$600,000 of aggregate coverage for each policy year. The policy is claims-made, which only covers claims made and reported to the insurer during the policy term, regardless of when the incident giving rise to the claim occurred. The Kansas Health Care Stabilization Fund provides an additional \$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.

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Note 7: Long-term Debt

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

	2019				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Note payable – County – 2009	\$ 30,000	\$ -	\$ 30,000	\$ -	\$ -
Note payable – County – 2016	222,619	-	27,827	194,792	27,827
Capital lease obligations	1,689,952	-	240,440	1,449,512	251,145
Total long-term debt	<u>\$ 1,942,571</u>	<u>\$ -</u>	<u>\$ 298,267</u>	<u>\$ 1,644,304</u>	<u>\$ 278,972</u>

	2018				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Note payable – County – 2009	\$ 60,000	\$ -	\$ 30,000	\$ 30,000	\$ 30,000
Note payable – County – 2016	250,447	-	27,828	222,619	27,828
Capital lease obligations	1,920,143	-	230,191	1,689,952	240,439
Total long-term debt	<u>\$ 2,230,590</u>	<u>\$ -</u>	<u>\$ 288,019</u>	<u>\$ 1,942,571</u>	<u>\$ 298,267</u>

Note Payable – County – 2009

The note payable – County – 2009 consists of an agreement with the County to repay on its behalf revenue bonds in the original amount of \$300,000 dated November 1, 2009. 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 construct a water therapy pool building at the Hospital. The bonds are payable in annual installments through November 1, 2019. The Hospital is required to make annual payments of \$30,000 to the debt service fund held by the trustee and maintain separate accounts for principal and interest payments. The Hospital has segregated these funds. The note was paid in full as of December 31, 2019.

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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 \$27,828 to the debt service fund held by the trustee.

The debt service requirements as of December 31, 2019, are as follows:

	Total to be Paid	Principal	Interest
Year Ending December 31,			
2020	\$ 27,828	\$ 27,828	\$ -
2021	27,828	27,828	-
2022	27,828	27,828	-
2023	27,828	27,828	-
2024	27,828	27,828	-
2025-2026	<u>55,652</u>	<u>55,652</u>	-
	<u>\$ 194,792</u>	<u>\$ 194,792</u>	<u>\$ -</u>

Capital Lease Obligations

The Hospital is obligated under leases for HVAC equipment and a CT Scanner that are accounted for as capital leases. A schedule of the equipment cost and accumulated depreciation under capital lease at December 31, 2019 and 2018, follows:

	2019	2018
Equipment	\$ 3,202,002	\$ 3,202,002
Accumulated depreciation	<u>1,025,191</u>	<u>753,984</u>
	<u>\$ 2,176,811</u>	<u>\$ 2,448,018</u>

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The following is a schedule by year of future minimum lease payments under capital leases including interest at rates of 1.53% and 4.2% together with the present value of the future minimum lease payments as of December 31, 2019.

Year Ending December 31,	
2020	\$ 307,413
2021	269,355
2022	242,170
2023	242,170
2024	242,170
2025-2026	<u>362,147</u>
Total minimum lease payments	1,665,425
Less amount representing interest	<u>215,913</u>
Present value of future minimum lease payments	<u><u>\$ 1,449,512</u></u>

Note 8: 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.

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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 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, 2019 and 2018, was 8.89% and 8.39% 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, 2019 and 2018, were \$572,655 and \$488,874, respectively.

Gove County Medical Center
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Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2019 and 2018, the Hospital reported a liability of \$4,617,729 and \$4,400,404, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of December 31, 2018 and 2017, respectively, rolled forward to June 30, 2019 and 2018, 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, 2019, the Hospital's proportion was 0.330458%, which was an increase of 0.014743% from its proportion measured as of June 30, 2018, of 0.315715%. At June 30, 2017, the proportion was 0.307998%.

For the years ended December 31, 2019 and 2018, the Hospital recognized pension expense of \$560,210 and \$300,299, respectively. At December 31, 2019 and 2018, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,108	\$ 116,294
Net difference between projected and actual earnings on pension plan investments	108,641	-
Changes of assumptions	141,135	9,359
Changes in proportion	224,765	62,961
Hospital's contributions subsequent to the measurement date	296,590	-
Total	<u>\$ 781,239</u>	<u>\$ 188,614</u>

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,887	\$ 124,688
Net difference between projected and actual earnings on pension plan investments	102,939	-
Changes of assumptions	190,556	21,191
Changes in proportion	86,050	138,736
Hospital's contributions subsequent to the measurement date	245,980	-
Total	<u>\$ 641,412</u>	<u>\$ 284,615</u>

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At December 31, 2019, the Hospital reported \$296,590 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2019, related to pensions will be recognized in pension expense as follows:

2020	\$ 137,348
2021	(901)
2022	83,720
2023	72,968
2024	2,900
	<u>296,035</u>
	<u>\$ 296,035</u>

Actuarial Assumptions

The total pension liability in the December 31, 2018 and 2017, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>2018</u>	<u>2017</u>
Price inflation	2.75%	2.75%
Wage inflation	3.50%	3.50%
Salary increases, including inflation	3.5% to 12%	3.5% to 12%
Investment rate of return, net of pension plan investment expense, including inflation	7.75%	7.75%

The mortality rates used in both the December 31, 2018 and 2017, valuations 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.

The actuarial assumptions used in both the December 31, 2018 and 2017, valuations were based on the results of an actuarial experience study for the three-year period ended December 31, 2015.

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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:

Asset Class	2019		2018	
	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Global equity	47%	6.85%	47%	6.85%
Fixed income	13%	1.25%	13%	1.25%
Yield driven	8%	6.55%	8%	6.55%
Real return	11%	1.71%	11%	1.71%
Real estate	11%	5.05%	11%	5.05%
Alternatives	8%	9.85%	8%	9.85%
Short-term investments	2%	-0.25%	2%	-0.25%
	100%		100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.75%, for both the years ended June 30, 2019 and 2018. 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.

Gove County Medical Center
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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 7.75%. 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 (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Hospital's proportionate share of the net pension liability	\$ 6,896,674	\$ 4,617,729	\$ 2,711,432

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.

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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:

	2019	2018
Active employees	133	136
Disabled employees	3	3
	136	139

Total OPEB Liability

The Hospital's total OPEB liability of \$158,293 and \$164,232 was measured as of June 30, 2019 and 2018, for the years ended December 31, 2019 and 2018, respectively, and was determined by actuarial valuations as of December 31, 2018 and 2017, respectively, and rolled forward to June 30, 2019 and 2018, respectively.

The total OPEB liability in the December 31, 2018 and 2017, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2019	2018
Inflation	2.75%	2.75%
Discount rate	3.50%	3.87%
Salary increases, including inflation	3.50% to 10%	3.50% to 10%

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The discount rate was based on the Bond Buyer General Obligation 20-Year Municipal Bond Index. The discount rate changed from 3.58% in 2017 to 3.87% in 2018 and to 3.50% in 2019.

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-2019 Mortality Tables for the December 31, 2018, actuarial valuation.

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-2018 Mortality Tables for the December 31, 2017, actuarial valuation.

The actuarial assumptions used in the June 30, 2019 and 2018, valuations were based on the results of an actuarial experience study for 2014 - 2016.

Changes in the Total OPEB Liability

Changes in the total OPEB liability are:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 164,232	\$ 187,961
Changes for the year:		
Service cost	17,362	17,178
Interest	6,786	7,085
Differences between expected and actual experience	(19,973)	(30,773)
Changes of assumptions	2,525	(2,602)
Benefit payments	<u>(12,639)</u>	<u>(14,617)</u>
Net changes	<u>(5,939)</u>	<u>(23,729)</u>
Balance, end of year	<u>\$ 158,293</u>	<u>\$ 164,232</u>

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Notes to Financial Statements
December 31, 2019 and 2018

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

The total OPEB liability of the Hospital, at December 31, 2019, has been calculated using a discount rate of 3.50%. The following presents the total OPEB liability using a discount rate 1% higher and 1% lower than the current discount rate.

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Hospital's total OPEB liability	\$ 165,071	\$ 158,293	\$ 151,479

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, 2019 and 2018, the Hospital recognized OPEB expense of \$18,080 and \$19,988, respectively. At December 31, 2019 and 2018, the Hospital reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 42,341
Changes of assumptions	2,265	7,605
Total	\$ 2,265	\$ 49,946
	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 27,597
Changes of assumptions	-	8,704
Total	\$ -	\$ 36,301

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December 31, 2019 and 2018

Amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2019, related to OPEB will be recognized in OPEB expense as follows:

2020	\$	6,068
2021		6,068
2022		6,068
2023		6,068
2024		6,068
Thereafter		<u>17,341</u>
	<u>\$</u>	<u>47,681</u>

Note 10: Subsequent Events

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Hospital. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

On April 10, 2020, the Hospital received approximately \$342,000 of stimulus funds from the Department of Health and Human Services (HHS). Certain conditions are required to be met to retain these funds. If the conditions are met, the funds will be retained by the Hospital with no repayment obligations. Management has attested to the requirements and believes the Hospital will retain the stimulus payments.

On April 16, 2020, Kansas Governor Laura Kelly announced a special emergency grant funding program for Kansas hospitals. This emergency funding was requested by the Kansas Hospital Association (KHA) on behalf of the hospitals and was distributed to help offset current financial strains caused by the COVID-19 pandemic. To facilitate the timely release of funds, hospitals were not required to complete an application. There are no specific requirements tied to utilization of the funds. The intent is for the grant payments to serve as a bridge to aid hospitals in meeting their basic operational expenditures. The Hospital received \$100,000 on April 24, 2020, related to this special emergency grant.

On May 6, 2020, the Hospital received approximately \$3,385,000 of stimulus funds from the Department of Health and Human Services (HHS). Certain conditions are required to be met to retain these funds. If the conditions are met, the funds will be retained by the Hospital with no repayment obligations. Management has attested to the requirements and will continue to evaluate the amount of funding that will be retained by the Hospital.

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On May 11, 2020, the Hospital obtained a loan through a local bank that is fully guaranteed by the U.S. Small Business Administration (SBA) through the Paycheck Protection Program (PPP). The amount borrowed is approximately \$1,864,000 at 1.00% interest with a maturity date of May 11, 2022. Under the PPP, if certain conditions are met, up to 100% of the principal amount may be forgiven. Management believes all, or nearly all, of the amount borrowed will meet the conditions for loan forgiveness.

Note 11: Future Change in Accounting Principle

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* (GASB 87) provides a new framework for accounting for leases under the principle that leases are financings. No longer will leases be classified between capital and operating. Lessees will recognize an intangible asset and a corresponding liability. The liability will be based on the payments expected to be paid over the lease term, which includes an evaluation of the likelihood of exercising renewal or termination options in the lease. Lessors will recognize a lease receivable and related deferred inflow of resources. Lessors will not derecognize the underlying asset. An exception to the general model is provided for short-term leases that cannot last more than 12 months. Contracts that contain lease and nonlease components will need to be separated so each component is accounted for accordingly.

In response to the challenges arising from COVID-19, on May 7, 2020, GASB approved Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. While the proposal included an extra year to implement all guidance, GASB, in a unanimous vote, approved an 18-month postponement for GASB 87. All statements and implementation guides with a current effective date of reporting periods beginning after June 15, 2018, and later will have a one-year postponement. This change is effective immediately. GASB 87 is effective for financial statements for fiscal years beginning after June 15, 2021. Earlier application is permitted. Governments will be allowed to transition using the facts and circumstances in place at the time of adoption, rather than retroactive to the time each lease was begun. The Hospital is evaluating the impact the statement will have on the financial statements.

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

	2019 *	2018 *	2017 *	2016 *	2015 *	2014 *
Hospital's proportion of the net pension liability	0.330458%	0.315715%	0.307998%	0.310951%	0.319067%	0.325591%
Hospital's proportionate share of the net pension liability	\$ 4,617,729	\$ 4,400,404	\$ 4,461,214	\$ 4,810,504	\$ 4,189,490	\$ 4,007,416
Hospital's covered-employee payroll	\$ 6,037,151	\$ 5,560,349	\$ 5,412,610	\$ 5,461,409	\$ 5,482,166	\$ 5,485,589
Hospital's proportionate share of the net pension liability as a percentage of its covered-employee payroll	76.49%	79.14%	82.42%	88.08%	76.42%	73.05%
Plan fiduciary net position as a percentage of the total pension liability	69.88%	68.88%	67.12%	65.10%	64.95%	66.60%

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).

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

	<u>2019 *</u>	<u>2018 *</u>	<u>2017 *</u>	<u>2016 *</u>	<u>2015 *</u>	<u>2014 *</u>
Contractually required contribution	\$ 572,655	\$ 488,474	\$ 441,447	\$ 491,268	\$ 503,830	\$ 467,612
Contribution in relation to the contractually required contribution	<u>572,655</u>	<u>488,474</u>	<u>441,447</u>	<u>491,268</u>	<u>503,830</u>	<u>467,612</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Hospital's covered-employee payroll	\$ 6,037,151	\$ 5,822,095	\$ 5,218,053	\$ 5,351,504	\$ 5,556,418	\$ 5,407,913
Contributions as a percentage of covered-employee payroll	9.49%	8.39%	8.46%	9.18%	9.07%	8.65%

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).

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

	<u>2019 *</u>	<u>2018 *</u>	<u>2017 *</u>
Total OPEB Liability			
Service cost	\$ 17,362	\$ 17,178	\$ 18,949
Interest	6,786	7,085	5,699
Differences between expected and actual experience	(19,973)	(30,773)	-
Changes in assumptions	2,525	(2,602)	(8,031)
Benefit payments	<u>(12,639)</u>	<u>(14,617)</u>	<u>(19,219)</u>
Net Change in Total OPEB Liability	(5,939)	(23,729)	(2,602)
Hospital's Total OPEB Liability - Beginning	<u>164,232</u>	<u>187,961</u>	<u>190,563</u>
Hospital's Total OPEB Liability - Ending	<u><u>\$ 158,293</u></u>	<u><u>\$ 164,232</u></u>	<u><u>\$ 187,961</u></u>
Hospital's Covered-Employee Payroll	\$ 5,550,333	\$ 5,157,397	\$ 5,215,125
Hospital's Total OPEB Liability as a percentage of covered-employee payroll	2.85%	3.18%	3.60%
Changes of Assumptions			
Discount rate	3.50%	3.87%	3.58%

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

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

Supplementary Information

Gove County Medical Center
A Component Unit of Gove County, Kansas
Net Patient Service Revenue
Years Ended December 31, 2019 and 2018

	2019		
	Inpatient	Outpatient	Total
Hospital nursing service	\$ 1,538,240	\$ -	\$ 1,538,240
Nursery	72,718	-	72,718
Long-term care	2,943,679	-	2,943,679
Operating room	130,986	1,098,806	1,229,792
Delivery room	127,423	-	127,423
Anesthesiology	63,399	296,175	359,574
Radiology	624,347	3,474,627	4,098,974
Laboratory	420,383	1,554,641	1,975,024
Respiratory therapy	1,246,227	42,097	1,288,324
Physical therapy	196,609	739,289	935,898
Occupational therapy	58,853	55,709	114,562
Speech therapy	8,862	7,987	16,849
Electrocardiology	22,320	139,149	161,469
Cardiac rehabilitation	-	74,283	74,283
Cancer rehabilitation	-	7,180	7,180
Medical supplies	192,821	57,710	250,531
Pharmacy	1,136,851	994,178	2,131,029
Orthopedic, urology, ENT, pain clinics	10,658	308,389	319,047
Emergency room	44,399	678,831	723,230
Observation	7,873	83,892	91,765
Sleep lab	-	396,306	396,306
Home health agency	-	9,661	9,661
Independent living	112,597	-	112,597
	<u>\$ 8,959,245</u>	<u>\$ 10,018,910</u>	18,978,155
Provision for uncollectible accounts			283,696
Contractual allowances and charity care			<u>5,242,791</u>
Net patient service revenue			<u>\$ 13,451,668</u>

2018		
Inpatient	Outpatient	Total
\$ 1,420,245	\$ -	\$ 1,420,245
57,060	-	57,060
2,800,349	-	2,800,349
161,292	1,208,952	1,370,244
113,298	-	113,298
63,747	314,932	378,679
458,222	3,320,427	3,778,649
394,336	1,500,560	1,894,896
830,555	45,638	876,193
180,547	664,124	844,671
53,220	76,227	129,447
8,754	16,631	25,385
23,316	122,326	145,642
-	56,663	56,663
-	3,490	3,490
154,277	64,492	218,769
1,008,830	781,709	1,790,539
7,888	313,042	320,930
27,149	579,531	606,680
10,649	138,473	149,122
-	452,873	452,873
-	12,676	12,676
97,315	-	97,315
<u>\$ 7,871,049</u>	<u>\$ 9,672,766</u>	17,543,815
		96,047
		<u>4,462,717</u>
		<u>\$ 12,985,051</u>

Gove County Medical Center
A Component Unit of Gove County, Kansas
Contractual Adjustments, Charity Care and Other Operating Revenues
Years Ended December 31, 2019 and 2018

Contractual Adjustments and Charity Care

	<u>2019</u>	<u>2018</u>
Charity Care	\$ 50,543	\$ 39,806
Contractual Adjustments		
Medicare and Medicaid – Hospital	2,771,366	2,285,342
Blue Cross – Hospital	1,892,079	1,518,793
Commercial insurance – Hospital	122,318	192,163
Medicaid – long-term care facility	240,279	245,531
Administrative adjustments	166,206	181,082
	<u>\$ 5,242,791</u>	<u>\$ 4,462,717</u>

Other Operating Revenues

	<u>2019</u>	<u>2018</u>
Day care revenue	\$ 115,690	\$ 118,002
Contract revenue	100,233	95,730
Cafeteria sales	50,976	51,964
Rent	58,960	54,367
Guest meals	7,021	8,064
Gain (loss) on disposal of capital assets	1,520	(19,382)
Medicaid electronic health records	-	57,461
Miscellaneous	88,711	81,058
	<u>\$ 423,111</u>	<u>\$ 447,264</u>

Gove County Medical Center
A Component Unit of Gove County, Kansas
Operating Expenses
Years Ended December 31, 2019 and 2018

	2019		Total
	Salaries	Other	
Hospital nursing service	\$ 1,214,979	\$ 296,423	\$ 1,511,402
Nursery	10,275	2,867	13,142
Long-term care	1,604,511	540,137	2,144,648
Operating room	115,862	56,366	172,228
Delivery room	28,635	88,930	117,565
Anesthesiology	-	229,370	229,370
Radiology	291,032	314,750	605,782
Laboratory	236,667	613,822	850,489
Respiratory therapy	156,742	3,214	159,956
Physical therapy	320,427	113,124	433,551
Occupational therapy	83,017	4,327	87,344
Speech therapy	-	13,892	13,892
Electrocardiology	9,833	2,609	12,442
Cardiac rehabilitation	47,504	4,624	52,128
Cancer rehabilitation	6,021	67	6,088
Medical supplies	109,245	107,340	216,585
Pharmacy	73,734	789,102	862,836
Orthopedic, urology, ENT, pain clinics	19,294	12,747	32,041
Emergency room	40,190	665,137	705,327
Sleep lab	75,038	10,693	85,731
Home health agency	531	5,676	6,207
Depreciation	-	664,314	664,314
Employee benefits	-	3,000,393	3,000,393
Administrative and general	1,203,171	677,668	1,880,839
Operation of plant	189,876	305,418	495,294
Laundry and linen	84,343	8,685	93,028
Housekeeping	206,823	27,009	233,832
Dietary	347,874	156,550	504,424
Nursing service administration	269,597	14,888	284,485
Purchasing	60,051	5,979	66,030
Medical records	180,096	70,013	250,109
	<u>\$ 6,985,368</u>	<u>\$ 8,806,134</u>	<u>\$ 15,791,502</u>

2018		
Salaries	Other	Total
\$ 1,090,965	\$ 406,554	\$ 1,497,519
8,871	4,570	13,441
1,533,652	329,910	1,863,562
112,537	105,012	217,549
15,700	73,841	89,541
-	251,007	251,007
298,953	288,208	587,161
209,249	592,566	801,815
163,649	1,782	165,431
278,534	124,690	403,224
71,075	2,804	73,879
-	22,683	22,683
6,626	3,426	10,052
41,785	2,561	44,346
8,262	21,159	29,421
103,631	44,687	148,318
51,109	554,923	606,032
15,981	11,892	27,873
29,788	648,441	678,229
56,368	7,809	64,177
512	7,617	8,129
-	686,212	686,212
-	2,266,314	2,266,314
1,058,975	647,496	1,706,471
173,963	325,782	499,745
77,963	6,081	84,044
189,427	34,023	223,450
338,829	165,563	504,392
186,680	24,362	211,042
55,263	6,235	61,498
170,627	64,021	234,648
\$ 6,348,974	\$ 7,732,231	\$ 14,081,205