

**Independent Auditor's Report and Financial Statements
Newman Memorial County Hospital
d/b/a Newman Regional Health
December 31, 2020 and 2019**

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**Newman Memorial County Hospital
d/b/a Newman Regional Health
Management's Discussion and Analysis
Years ended December 31, 2020 and 2019**

Our discussion and analysis of the financial performance of Newman Regional Health provides a narrative overview of the Hospital's financial activities for the years ended December 31, 2020 and 2019. Please read it in conjunction with the accompanying financial statements.

Financial highlights

The Hospital's net position increased by \$230,944 or 6.9 percent in 2020 as compared to a decrease of \$8,671,585 or 72.3 percent in 2019.

The Hospital reported an operating loss of \$4,415,649 in 2020 compared to an operating loss of \$4,077,385 in 2019. Significant items that affected the change in this loss from 2019 to 2020 are discussed in this management's discussion and analysis.

Using these financial statements

The Hospital's financial statements consist of three statements - a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the Hospital, including resources held by or for the benefit of the Hospital, and resources restricted for specific operating purposes by contributors, grantors, and indenture agreements.

One of the most important questions asked about the Hospital's finances is, "Is the Hospital as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Hospital's resources including all restricted and unrestricted assets and all liabilities using the accrual basis of accounting in a way that helps answer this question. 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 them. The Hospital's net position - the difference between assets and liabilities may be thought of as one way to measure its financial health, or financial position. Over time, increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. Consideration must also be given to other nonfinancial indicators, such as changes in the Hospital's patient base and measures of the quality of service provided to the community, as well as local economic factors to assess the overall health of the Hospital.

The final required statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from?", "What was cash used for?", and "What was the change in cash balance during the reporting period?"

**Newman Memorial County Hospital
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Assets, deferred outflows, liabilities, deferred inflows, and net position

The Hospital's statements of net position as of the end of each of the last three years are summarized as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Assets			
Current assets	\$ 40,411,200	\$ 16,426,372	\$ 19,280,904
Assets limited as to use	2,012,549	2,126,962	7,836,722
Capital assets, net	27,283,136	29,770,682	33,131,588
Other assets	<u>197,308</u>	<u>266,144</u>	<u>457,967</u>
Total assets	<u>69,904,193</u>	<u>48,590,160</u>	<u>60,707,181</u>
Deferred outflows related to advance debt refunding	<u>26,427</u>	<u>55,256</u>	<u>113,234</u>
Liabilities			
Current liabilities	19,827,631	7,580,021	10,433,750
Long-term obligations	<u>26,030,156</u>	<u>18,535,305</u>	<u>19,893,953</u>
Total liabilities excluding net pension and OPEB liabilities	<u>45,857,787</u>	<u>26,115,326</u>	<u>30,327,703</u>
Pension and OPEB liabilities net of deferred outflows and net deferred inflows of resources related to pension and OPEB plans	<u>20,514,834</u>	<u>19,203,035</u>	<u>18,494,072</u>
Net position	<u>\$ 3,557,999</u>	<u>\$ 3,327,055</u>	<u>\$ 11,998,640</u>

Beginning in March 2020, the Hospital, along with all health care providers in the United States, was negatively impacted by the worldwide coronavirus pandemic. Patient volumes and related revenues were negatively impacted. Outpatient volumes decreased from suspension of elective procedures and stay at home practices. In response, the United States Government passed the Coronavirus Aid, Relief, and Economic Security Act (CARES) and subsequent legislation to provide funding during these uncertain times. The Hospital was approved for a Paycheck Protection Program (PPP) loan and received several grants from Health and Human Services (HHS) to be used to prevent, prepare for, and respond to the pandemic. In addition, the Hospital also received advance payments from Medicare. Total assets and liabilities increased as a result of these funding mechanisms.

Our liquidity position when measured by the ratio of current assets to current liabilities was 2.0 in 2020, 2.2 in 2019, and 1.8 in 2018. Current assets increased by \$23,984,828 in 2020 and decreased by \$2,854,532 in 2019. Significant components of current assets are cash and cash equivalents and patient accounts receivable. Cash and cash equivalents totaled \$26.7 million in 2020 and \$4.5 million in 2019. The level of patient accounts receivable is impacted by patient revenues generated during the last two months of the year as well as our efficiency in collecting charges. The number of days net revenue reported in net accounts receivable was 45 days in 2020, 47 days in 2019, and 54 days in 2018.

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Total liabilities, excluding the net pension and OPEB liabilities, increased in 2020 by \$19,742,461 and decreased by \$4,212,377 in 2019. Significant items affecting the increase in 2020 are a \$6,108,700 PPP loan payable, \$3,827,267 in CARES Act unearned revenues, and \$10,616,601 in Medicare advance payments received. The PPP loan is eligible for forgiveness based on meeting certain terms and conditions which management believes have been met. The Hospital is in the process of requesting forgiveness from the Small Business Administration.

The net pension and OPEB liabilities, deferred outflows, and inflows related to KPERS were \$20,514,834, \$19,203,035, and \$18,494,072 at December 31, 2020, 2019, and 2018, respectively. The changes in these net amounts are actuarially determined by KPERS and will fluctuate based on actuarial assumptions related to investment returns, inflation, mortality rates, and other factors.

Operating results and changes in net position

In 2020, the Hospital's net position increased by \$230,944 or 6.9 percent as shown in the following table. This increase is made up of very different components. The Hospital's operating results and changes in net position for each of the last three years are summarized as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating revenues			
Net patient service revenue	\$ 65,777,571	\$ 66,907,284	\$ 65,526,988
Electronic health records incentive revenue			1,928,759
Other operating revenue	<u>3,273,973</u>	<u>2,276,843</u>	<u>2,014,517</u>
Total operating revenue	<u>69,051,544</u>	<u>69,184,127</u>	<u>69,470,264</u>
Operating expenses			
Salaries and wages	32,448,541	31,747,822	31,407,212
Employee benefits	10,069,495	9,512,543	8,126,136
Supplies and other expenses	26,924,334	27,792,737	27,044,882
Depreciation and amortization	<u>4,024,823</u>	<u>4,208,410</u>	<u>3,768,166</u>
Total operating expenses	<u>73,467,193</u>	<u>73,261,512</u>	<u>70,346,396</u>
Operating loss	(4,415,649)	(4,077,385)	(876,132)
Interest expense	(634,003)	(651,401)	(351,739)
Property taxes	200,000	325,000	300,000
Other nonoperating revenues (expenses)	5,001,387	1,583,538	(161,094)
Capital grants and contributions	79,209	532,049	168,812
Transfer of net assets to community foundation	<u> </u>	<u>(6,383,386)</u>	<u> </u>
Change in net position	<u>\$ 230,944</u>	<u>\$ (8,671,585)</u>	<u>\$ (920,153)</u>

The first component of the overall change in the Hospital's net position is the operating income - generally, the difference between operating revenues and expenses incurred to perform those services. The Hospital reported an operating loss of \$4,415,649 in 2020, a \$338,264 decrease as compared with 2019. There were two noticeable changes between 2020 and 2019 that affected the change in operating loss. The first item

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Years ended December 31, 2020 and 2019**

affecting the change in operating results was the overall decrease in net patient service revenue of \$1,129,713 in 2020 which was primarily due to the coronavirus pandemic. In 2019, net patient service revenue increased by \$1,380,296 over the prior year. Other operating revenue in 2020 increased by \$997,130 which was primarily related to increased 340b drug program revenue. One other significant item affecting the change in operating loss was the \$602,836 increase in actuarial adjustments related to pension and other post-employment benefit expenses associated with our participation in the KPERS system. This adjustment in total was \$1,311,799 in 2020, \$708,963 in 2019, and \$33,019 in 2018.

The operating performance of our Hospital is influenced by utilization, availability of physician services, patient access to health insurance coverage, and third-party reimbursement rates. The Hospital generates approximately 23 percent of gross revenues from inpatient services and 77 percent from outpatient and physician services. The Medicare program, which accounts for 51 percent of the Hospital's net revenues, reimburses inpatient, swing-bed, rural health clinic (RHC), and outpatient services based upon a cost reimbursement methodology. Inpatient rehabilitation, physician other than RHC services, and hospice services are prospectively reimbursed by Medicare.

The Hospital's net patient service revenue decreased by 1.7 percent in 2020 as compared to 2019, and increased by 2.1 percent in 2019 as compared to 2018. The change in net revenues is partially due to a decrease in patient volume because of the coronavirus pandemic. Total inpatient days of care (acute, intensive care, swing-bed, rehabilitation, and nursery) were 8,147, 8,200, and 8,562 in 2020, 2019, and 2018, respectively.

The change in operating revenues from year to year is also impacted by the amount of payments received from the State of Kansas Medicaid disproportionate share hospital (DSH) program. During 2020, 2019, and 2018, the Hospital recognized Medicaid DSH revenue of \$997,291, \$694,508, and \$1,197,024. Eligibility for these payments is determined annually based upon numerous factors including uncompensated care cost from providing services to the uninsured and Medicaid beneficiaries as compared with other qualifying hospital providers. These funds are essential to offsetting a portion of the loss from treating uninsured and underinsured patients.

Another factor affecting net patient service revenue is the amount of care provided by the Hospital for which no payment is received or expected to be received. Understanding our role as a community member, the Hospital has a policy to automatically provide a 20 percent discount to all uninsured patients. The percentage of gross charges that are written off due to uninsured discounts, charity care discounts, and bad debts equaled 5.5 percent in 2020. This compares to 5.9 percent in 2019 and 5.7 percent in 2018. Total discounts granted to uninsured or charity care patients equaled \$2,600,874 in 2020 as compared to \$3,187,242 in 2019 and \$3,362,845 in 2018.

Salaries and benefits are significant components of operations. Total salaries and wages increased by 2.2 percent in 2020, 1.1 percent in 2019, and by 1.4 percent in 2018. The change in salaries is primarily driven by the change in FTEs. Employee benefits expense excluding the effect of the actuarial adjustment related to the pension plan represented 27.0, 27.7, and 25.8 percent of salary expense. The change in this percentage is largely dependent upon our KPERS funding requirements and the cost of health insurance. Health insurance increased approximately \$105,000 in 2020 and increased approximately \$520,000 in 2019 as compared to the prior year. Our KPERS cash funding (excluding the pension adjustment) was 8.6 percent, 8.9 percent, and 8.4 percent of covered salary in 2020, 2019, and 2018. As noted above, the effect of the actuarial determined pension and OPEB expense was \$1,311,799 in 2020, \$708,963 in 2019, and \$33,019 in 2018. Additional information related to the funding of our pension obligations can be found in the footnotes and supplementary information.

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Years ended December 31, 2020 and 2019**

Supplies and other expenses decreased by \$868,403 or 3.1 percent in 2020 and increased by \$747,855 or 2.8 percent in 2019, as compared to 2018. While we have experienced normal inflationary increases in the cost of goods and services each year, in 2020 we experienced decreases due to not having as many elective surgery and cardiac cath procedures.

Depreciation and amortization expenses decreased \$183,587 in 2020, increased by \$440,244 in 2019, and increased by \$279,740 in 2018. These changes are based on the level of new capital and equipment placed into service by year as compared to the property and equipment which becomes fully depreciated.

Other nonoperating revenue and (expenses) were \$5,001,387 in 2020, \$1,583,538 in 2019, and (\$161,094) in 2018. The increase in 2020 was due to recognizing a portion of the grants associated with the pandemic funding.

The Foundation was dissolved on December 26, 2019, and its remaining assets were transferred to the Emporia Community Foundation to establish the Newman Regional Health Fund. Under the agreement, distributions may be made on an as needed basis in any amount not to exceed the balance of the fund. The Emporia Community Foundation has been granted variance power under the terms of the agreement. This transaction resulted in a \$6,383,386 decrease in net position in 2019.

This financial report is designed to provide a general overview of the Hospital's finances and to discuss the significant changes in our financial statements. If you have any questions about the report or need additional financial information, contact the Administration Office at Newman Regional Health.

Independent Auditor's Report

Board of Trustees
Newman Memorial County Hospital

We have audited the accompanying financial statements of the business-type activity of Newman Memorial County Hospital d/b/a Newman Regional Health (the Hospital), a component unit of Lyon County, Kansas, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Hospital's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit and Accounting Guide. Those standards require that we plan and perform the audits 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 previously present fairly, in all material respects, the financial position of the business-type activity of Newman Memorial County Hospital d/b/a Newman Regional Health as of December 31, 2020 and 2019, and the changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 5 be presented to supplement the financial statements. These standards also require that the pension and other postemployment information on pages 36 through 38 be included to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. 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 financial statements, and other knowledge we obtained during our audit of the 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.

Wendling Mac Nelson & Johnson LLC
Topeka, Kansas
May 12, 2021

Financial Statements

**Newman Memorial County Hospital
d/b/a Newman Regional Health
Statements of Net Position
December 31,**

Assets and Deferred Outflows of Resources

	<u>2020</u>	<u>2019</u>
Current assets		
Cash and cash equivalents	\$ 26,712,086	\$ 4,504,794
Assets limited as to use	262,071	57,929
Patient accounts receivable, net of estimated uncollectibles of \$2,263,200 in 2020 and \$2,852,100 in 2019	8,082,760	8,545,338
Other receivables	528,181	491,920
Inventories	2,071,288	1,790,023
Prepaid expenses	774,814	196,600
Estimated third-party payor settlements	<u>1,980,000</u>	<u>839,768</u>
Total current assets	<u>40,411,200</u>	<u>16,426,372</u>
Assets limited as to use		
Under bond indenture agreements - held by trustee less amounts required to meet current obligations	<u>2,012,549</u>	<u>2,126,962</u>
Capital assets, net	<u>27,283,136</u>	<u>29,770,682</u>
Other assets		
Other receivables	120,692	180,306
Prepaid bond insurance	<u>76,616</u>	<u>85,838</u>
	<u>197,308</u>	<u>266,144</u>
Total assets	<u>69,904,193</u>	<u>48,590,160</u>
Deferred outflows of resources		
Pension	6,895,820	3,624,793
Other postemployment benefits	98,495	70,958
Loss on bond refunding	<u>26,427</u>	<u>55,256</u>
Total deferred outflows of resources	<u>7,020,742</u>	<u>3,751,007</u>
Total assets and deferred outflows of resources	<u>\$ 76,924,935</u>	<u>\$ 52,341,167</u>

The accompanying notes are an integral part of these statements.

Liabilities, Deferred Inflows of Resources, and Net Position

	<u>2020</u>	<u>2019</u>
Current liabilities		
Current maturities of long-term debt	\$ 1,156,083	\$ 1,206,403
SBA PPP loan payable	6,108,700	
Accounts payable and accrued expenses	1,631,054	2,462,296
Accrued salaries, vacation, benefits, and payroll taxes	3,606,239	3,190,345
Interest payable	55,883	57,833
Accrued health insurance claims	283,000	417,000
Estimated liability for receivables sold with recourse	88,000	96,000
Estimated third-party payor settlements	200,000	150,144
Unearned CARES Act revenue	3,827,267	
Medicare accelerated payments	<u>2,871,405</u>	
Total current liabilities	<u>19,827,631</u>	<u>7,580,021</u>
Noncurrent liabilities		
Long-term debt, net of current maturities	18,284,960	18,535,305
Medicare accelerated payments, net of current portion	7,745,196	
Other postemployment liability	794,040	834,949
Net pension liability	<u>25,745,143</u>	<u>21,188,245</u>
Total noncurrent liabilities	<u>52,569,339</u>	<u>40,558,499</u>
Total liabilities	<u>72,396,970</u>	<u>48,138,520</u>
Deferred inflows of resources		
Pension	686,638	680,918
Other postemployment benefits	<u>283,328</u>	<u>194,674</u>
Total deferred inflows of resources	<u>969,966</u>	<u>875,592</u>
Net position		
Net investment in capital assets	8,435,930	10,725,000
Restricted		
For debt service	1,707,210	1,510,932
For specific operating activities	79,446	19,785
Unrestricted	<u>(6,664,587)</u>	<u>(8,928,662)</u>
Total net position	<u>3,557,999</u>	<u>3,327,055</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 76,924,935</u>	<u>\$ 52,341,167</u>

**Newman Memorial County Hospital
d/b/a Newman Regional Health
Statements of Revenues, Expenses, and Changes in Net Position
Year ended December 31,**

	<u>2020</u>	<u>2019</u>
Operating revenues		
Net patient service revenue	\$ 65,777,571	\$ 66,907,284
Other	<u>3,273,973</u>	<u>2,276,843</u>
Total operating revenues	<u>69,051,544</u>	<u>69,184,127</u>
Operating expenses		
Salaries and wages	32,448,541	31,747,822
Employee benefits	8,757,696	8,803,580
Actuarial adjustments for pension and OPEB expenses	1,311,799	708,963
Supplies and other expenses	26,924,334	27,792,737
Depreciation and amortization	<u>4,024,823</u>	<u>4,208,410</u>
Total operating expenses	<u>73,467,193</u>	<u>73,261,512</u>
Operating loss	<u>(4,415,649)</u>	<u>(4,077,385)</u>
Nonoperating revenues (expenses)		
Investment income	380,223	1,643,362
Interest expense	(634,003)	(651,401)
Noncapital grants and contributions	256,559	86,130
COVID-19 noncapital grants	4,364,032	
Property taxes	200,000	325,000
Other	<u>573</u>	<u>(145,954)</u>
Total nonoperating revenues (expenses)	<u>4,567,384</u>	<u>1,257,137</u>
Excess of revenues over (under) expenses before capital grants and contributions and transfer of net assets	151,735	(2,820,248)
Capital grants and contributions	79,209	532,049
Transfer of net assets to community foundation	<u> </u>	<u>(6,383,386)</u>
Change in net position	<u>230,944</u>	<u>(8,671,585)</u>
Net position at beginning of year	<u>3,327,055</u>	<u>11,998,640</u>
Net position, end of year	<u>\$ 3,557,999</u>	<u>\$ 3,327,055</u>

The accompanying notes are an integral part of these statements.

**Newman Memorial County Hospital
d/b/a Newman Regional Health
Statements of Cash Flows
Year ended December 31,**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Receipts from and on behalf of patients	\$ 75,758,374	\$ 66,866,526
Payments to or on behalf of employees	(40,915,343)	(40,103,570)
Payments to suppliers	(27,811,214)	(28,059,278)
Other receipts and payments	<u>3,288,326</u>	<u>2,362,365</u>
Net cash provided by operating activities	<u>10,320,143</u>	<u>1,066,043</u>
Cash flows from noncapital financing activities		
Noncapital grants and contributions	256,559	86,130
Property taxes	200,000	325,000
Proceeds from SBA PPP loan payable	6,108,700	
COVID-19 relief payments received	8,191,299	
Other	<u>248</u>	<u>(129,550)</u>
Net cash provided by noncapital financing activities	<u>14,756,806</u>	<u>281,580</u>
Cash flows from capital and related financing activities		
Purchase of capital assets	(1,124,113)	(2,978,792)
Grants and contributions for capital	79,209	532,049
Proceeds from sale of equipment	325	46,318
Interest paid on capital related debt	(743,486)	(737,911)
Principal payments on long-term debt	<u>(1,372,086)</u>	<u>(1,328,337)</u>
Net cash used by capital and related financing activities	<u>(3,160,151)</u>	<u>(4,466,673)</u>
Cash flows from investing activities		
Change in assets limited as to use held by trustee under bond indenture agreement	(93,712)	2,523,311
Change in investments held by Foundation		(224,513)
Interest received	<u>384,206</u>	<u>740,075</u>
Net cash provided by investing activities	<u>290,494</u>	<u>3,038,873</u>
Change in cash and cash equivalents	22,207,292	(80,177)
Cash and cash equivalents at beginning of year	<u>4,504,794</u>	<u>4,584,971</u>
Cash and cash equivalents at end of year	<u>\$ 26,712,086</u>	<u>\$ 4,504,794</u>

The accompanying notes are an integral part of these statements.

**Newman Memorial County Hospital
d/b/a Newman Regional Health
Statements of Cash Flows - Continued
Year ended December 31,**

	<u>2020</u>	<u>2019</u>
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	\$ (4,415,649)	\$ (4,077,385)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation and amortization	4,024,823	4,208,410
Provision for bad debts	4,324,768	5,006,663
Changes in		
Patient accounts receivable	(3,862,190)	(3,885,690)
Inventories	(281,265)	(92,802)
Prepaid expenses	(249,014)	(58,228)
Other receivables	23,353	447,522
Accounts payable and accrued expenses	(74,707)	(29,679)
Estimated third-party payor settlements	(1,090,376)	(1,144,731)
Medicare accelerated payments	10,616,601	
Estimated liability for receivables sold	(8,000)	(17,000)
Net pension and OBEB liability, deferred inflows, and deferred outflows related to pension and OPEB liabilities	<u>1,311,799</u>	<u>708,963</u>
Net cash provided by operating activities	<u>\$ 10,320,143</u>	<u>\$ 1,066,043</u>
Supplemental schedule of noncash investing and financing activities		
Net change in unrealized gains on investments	\$ -	\$ 903,321
Capital lease obligations incurred	887,805	
Prepaid expense lease obligation incurred	329,200	

The accompanying notes are an integral part of these statements.

**Newman Memorial County Hospital
d/b/a Newman Regional Health
Notes to Financial Statements
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Note A - Description of Reporting Entity and Summary of Significant Accounting Policies

1. Reporting entity

Newman Memorial County Hospital d/b/a Newman Regional Health (the Hospital) is owned by Lyon County (the County), Kansas, and operated by the Board of Trustees, a nine-member governing board appointed by the governing body of the County. The Hospital, which was organized in 1922, is a not-for-profit general hospital located in Emporia, Kansas. The Hospital can sue and be sued, and can buy, sell, or lease real property. Bond issuances must be approved by the County. The Hospital is a component unit of Lyon County.

2. Component unit

Newman Hospital Regional Health Foundation (the Foundation) was a not-for-profit corporation organized to carry out the purposes of the Hospital in betterment and enhancement of the health care services for the citizens of the community. The governing body of the Foundation was appointed by the Hospital and could be removed by the Hospital's board at will. The Hospital included the Foundation as a component unit in the Hospital's 2019 financial statements using the blended method. The Foundation was dissolved on December 26, 2019, and its remaining assets were transferred to the Emporia Community Foundation (the Community Foundation), see Note S. All significant intercompany accounts and transactions have been eliminated in the accompanying financial statements.

3. Use of estimates

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

4. Basis of accounting

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

5. Cash and cash equivalents

Cash and cash equivalents include all cash and highly-liquid debt instruments with maturities of three months or less excluding any such amounts included in assets limited as to use under bond indenture agreements and held by trustee.

6. Allowance for doubtful accounts

The Hospital provides for accounts receivable that could become uncollectible in the future by establishing an allowance to reduce the carrying value of such receivables to their estimated net realizable value. The Hospital estimates this allowance based on the aging of its accounts receivable by type of payor.

7. Inventories

Inventories are stated at the lower of cost or market with cost determined on the first-in, first-out method.

**Newman Memorial County Hospital
d/b/a Newman Regional Health
Notes to Financial Statements - Continued
December 31, 2020 and 2019**

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

8. Investments and investment income

Investments in debt and equity securities with readily determinable fair values are measured at fair value. Interest, dividends, and gains and losses, both realized and unrealized, on investments are recognized as investment income when earned.

9. Assets limited as to use

Assets limited as to use include assets held by a trustee under bond indenture agreements.

10. Capital assets

Capital assets, including assets recorded as capital leases and intangible assets, are stated at cost. Depreciation and amortization of capital assets are provided on the straight-line method over the estimated useful lives of the assets which are substantially in conformity with useful lives established by the American Hospital Association.

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

11. Cost of borrowing

Interest costs including incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets.

12. Accrued vacation and other employee benefits

Employees are entitled to paid vacation depending on length of service and whether they are full-time or part-time. Upon retirement, resignation, or termination from service, employees are entitled to payment for all accrued vacation, up to an allowable maximum. Vacation benefits are accrued as earned.

13. Accrued health insurance claims

The Hospital is partially self-insured for health insurance claims of its employees (Note K). Management estimates the net liability for reported and unreported claims incurred as of the end of each reporting period. The estimate is based on known claims and historical claims experience. Although management believes the estimate for accrued health insurance claims is reasonable, it is possible that actual incurred claims expense may vary significantly from the estimate recorded.

14. Deferred outflows and inflows of resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as revenue until then.

**Newman Memorial County Hospital
d/b/a Newman Regional Health
Notes to Financial Statements - Continued
December 31, 2020 and 2019**

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

15. Pension and Other Post Employee Benefit (OPEB) plans

The Hospital participates in the Kansas Public Employees Retirement System Plan (KPERS), a cost-sharing multiple-employer defined benefit pension plan. The Hospital also provides long-term disability benefits to its employees through KPERS. The Hospital utilizes information provided by KPERS to measure the net pension and OPEB liability, deferred outflows, and deferred inflows of resources related to the benefits provided through the KPERS plan.

16. Net position

The net position of the Hospital is classified in three components. "Net investment in capital assets" consists of net capital assets and reduced by the current balances of outstanding borrowings used to finance the purchase or construction of those assets. "Restricted net position" is noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital or Foundation, including amounts deposited with trustees as required by revenue bond indentures, discussed in Note D. "Unrestricted net position" is remaining net position that does not meet the definition of "net investment in capital assets" or "restricted."

17. Operating revenues and expenses

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

18. Grants and contributions

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

19. Property taxes

The County allocates a portion of the property tax receipts to support Hospital operations. The taxes are levied in November of each year with the Hospital receiving funds on a quarterly basis from the County. The property tax revenue is recognized in full the year following the year the taxes were levied which is the year in which use is first permitted.

20. Income taxes

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

**Newman Memorial County Hospital
d/b/a Newman Regional Health
Notes to Financial Statements - Continued
December 31, 2020 and 2019**

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

21. Charity care

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

22. Reclassifications

Certain reclassifications have been made to the 2019 financial statements to conform to the 2020 presentation.

Note B - Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established charge rates. The amounts reported on the statement of net position as estimated third-party payor settlements consist of management's best estimate of the differences between the contractual amounts for providing covered services and the interim payments received for those services. A summary of the payment arrangements with major third-party payors follows:

Medicare - The Hospital is a critical access hospital for purposes of the Medicare program and is paid for inpatient acute care, skilled swing-bed, rural health clinic (RHC), and certain outpatient services under various cost reimbursement methodologies. Inpatient rehab, hospice, and physician services, other than RHC services, are prospectively reimbursed based on prospectively determined rates. The Hospital is paid for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits or reviews thereof by the Medicare administrative contractor. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. The Hospital's Medicare cost reports have been audited or reviewed by the Medicare administrative contractor through December 31, 2016.

Medicaid - Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Hospital receives a hospital-specific add-on percentage to each claim based on previously filed cost reports. RHC services rendered to Medicaid beneficiaries are paid at a prospectively determined rate per occasion of service. All other services rendered to Medicaid beneficiaries are paid at prospective rates determined on either a per diem or a fee-for-service basis and are not subject to retroactive adjustment.

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

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

**Newman Memorial County Hospital
d/b/a Newman Regional Health
Notes to Financial Statements - Continued
December 31, 2020 and 2019**

Note B - Net Patient Service Revenue - Continued

A summary of Hospital gross and net patient service revenue is as follows:

	<u>2020</u>	<u>2019</u>
Gross patient service revenue	\$125,169,450	\$138,444,178
Deductions from patient service revenue		
Third-party contractual adjustments	(53,340,095)	(63,964,333)
Medicaid DSH payments	997,291	694,508
Provision for bad debts	(4,324,768)	(5,006,663)
Charity care	(1,405,276)	(2,011,432)
Uninsured discounts	(1,195,598)	(1,175,810)
Other discounts and allowances	<u>(123,433)</u>	<u>(73,164)</u>
Net patient service revenue	<u>\$ 65,777,571</u>	<u>\$ 66,907,284</u>

Revenue from the Medicare and Medicaid programs accounted for approximately 51 percent and 7 percent, respectively, of the Hospital's net patient revenue during 2020 and 52 percent and 7 percent, respectively, of the Hospital's net patient revenue during 2019. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation.

The Hospital estimates that the cost of providing charity care, based on overall cost-to-charge ratios obtained from its Medicare cost reports, was \$759,000 and \$958,000 for 2020 and 2019, respectively.

Note C - Assets Limited as to Use

Under bond indenture agreements - held by trustee

Assets limited as to use by bond indenture agreements are held by a trustee and are stated at fair value. These assets are related to the revenue bond issue (Note E) and consist of the following:

	<u>2020</u>	<u>2019</u>
Principal and interest sinking fund	\$ 262,070	\$ 24,740
Interest receivable	3,761	7,743
Construction fund	567,410	640,770
Bond reserve fund	<u>1,441,379</u>	<u>1,511,638</u>
	<u>\$ 2,274,620</u>	<u>\$ 2,184,891</u>

Assets are invested by the trustee as follows:

	<u>2020</u>	<u>2019</u>
Cash	\$ 916,237	\$ 24,740
Money Market Treasury fund		296,666
U.S. Government and Agency obligations at fair value	1,354,622	1,855,742
Interest receivable	<u>3,761</u>	<u>7,743</u>
	<u>\$ 2,274,620</u>	<u>\$ 2,184,891</u>

**Newman Memorial County Hospital
d/b/a Newman Regional Health
Notes to Financial Statements - Continued
December 31, 2020 and 2019**

Note C - Assets Limited as to Use - Continued

The bond reserve funds are available for bond principal and interest payments to prevent any default in the payment of principal or interest of the respective bonds or, if not so required, may be used to make the final payments of bond principal and interest.

Note D - Capital Assets

	Balance December 31, <u>2019</u>	Transfers and <u>additions</u>	<u>Retirements</u>	Balance December 31, <u>2020</u>
Land improvements	\$ 876,480	\$ -	\$ 7,195	\$ 869,285
Buildings	49,021,327	449,395	102,436	49,368,286
Medical office building	11,611,344	48,210		11,659,554
Fixed equipment	10,853,150	531,243	217,150	11,167,243
Future expansion property	430,185			430,185
Rental property	561,321			561,321
Leasehold improvements	402,738			402,738
Major movable equipment	23,515,020	765,389	2,801,688	21,478,721
Intangibles	13,857			13,857
	<u>97,285,422</u>	<u>1,794,237</u>	<u>3,128,469</u>	<u>95,951,190</u>
Total capital assets being depreciated				
Less accumulated depreciation and amortization for				
Land improvements	586,305	36,176	7,195	615,286
Buildings	31,406,079	1,481,018	102,436	32,784,661
Medical office building	8,426,250	220,707		8,646,957
Fixed equipment	9,586,268	362,495	217,150	9,731,613
Future expansion property	10,630	4,115		14,745
Rental property	72,946	22,453		95,399
Leasehold improvements	162,339	39,679		202,018
Major movable equipment	18,936,284	1,853,171	2,801,688	17,987,767
Intangibles	6,425	5,009		11,434
	<u>69,193,526</u>	<u>4,024,823</u>	<u>3,128,469</u>	<u>70,089,880</u>
Total accumulated depreciation and amortization				
Total capital assets being depreciated, net	28,091,896	(2,230,586)	-	25,861,310
Land	1,293,632			1,293,632
Projects in progress	385,154	(256,960)		128,194
	<u>1,678,786</u>	<u>(256,960)</u>	<u>-</u>	<u>1,421,826</u>
Total capital assets not being depreciated				
Capital assets, net	<u>\$ 29,770,682</u>	<u>\$ (2,487,546)</u>	<u>\$ -</u>	<u>\$ 27,283,136</u>

**Newman Memorial County Hospital
d/b/a Newman Regional Health
Notes to Financial Statements - Continued
December 31, 2020 and 2019**

Note D - Capital Assets - Continued

	Balance December 31, <u>2018</u>	Transfers and <u>additions</u>	<u>Retirements</u>	Balance December 31, <u>2019</u>
Land improvements	\$ 876,480			\$ 876,480
Buildings	49,227,876	(206,549)		49,021,327
Medical office building	11,611,344			11,611,344
Fixed equipment	11,105,977	(252,827)		10,853,150
Future expansion property	430,185			430,185
Rental property	561,321			561,321
Leasehold improvements	404,313		1,575	402,738
Major movable equipment	27,826,949	1,044,868	5,356,797	23,515,020
Intangibles	<u> </u>	<u>13,857</u>	<u> </u>	<u>13,857</u>
Total capital assets being depreciated	<u>102,044,445</u>	<u>599,349</u>	<u>5,358,372</u>	<u>97,285,422</u>
Less accumulated depreciation and amortization for				
Land improvements	543,863	42,442		586,305
Buildings	29,869,561	1,536,518		31,406,079
Medical office building	8,204,094	222,156		8,426,250
Fixed equipment	9,268,382	317,886		9,586,268
Future expansion property	6,515	4,115		10,630
Rental property	50,493	22,453		72,946
Leasehold improvements	124,235	39,679	1,575	162,339
Major movable equipment	22,213,623	2,016,736	5,294,075	18,936,284
Intangibles	<u> </u>	<u>6,425</u>	<u> </u>	<u>6,425</u>
Total accumulated depreciation and amortization	<u>70,280,766</u>	<u>4,208,410</u>	<u>5,295,650</u>	<u>69,193,526</u>
Total capital assets being depreciated, net	<u>31,763,679</u>	<u>(3,609,061)</u>	<u>62,722</u>	<u>28,091,896</u>
Land	1,293,632			1,293,632
Projects in progress	<u>74,277</u>	<u>310,877</u>	<u> </u>	<u>385,154</u>
Total capital assets not being depreciated	<u>1,367,909</u>	<u>310,877</u>	<u>-</u>	<u>1,678,786</u>
Capital assets, net	<u>\$ 33,131,588</u>	<u>\$ (3,298,184)</u>	<u>\$ 62,722</u>	<u>\$ 29,770,682</u>

**Newman Memorial County Hospital
d/b/a Newman Regional Health
Notes to Financial Statements - Continued
December 31, 2020 and 2019**

Note E - Long-Term Debt

Long-term debt obligations consist of the following:

	<u>2020</u>	<u>2019</u>
Lyon County, Kansas Public Building Commission, Newman Memorial County Hospital Refunding Revenue Bonds, Series 2016-A, issued October 31, 2016, in the original amount of \$19,970,000, 3.00% to 5.00% bonds due serially through December 1, 2036	\$ 17,050,000	\$ 17,830,000
2.50% Note payable to bank paid off in 2020		304,710
2.28% Lease payable to bank entered into December 15, 2016, in the original amount of \$583,708, payable in equal monthly installments of \$10,303, including interest, through December 15, 2021, collateralized by equipment with an amortized cost of \$271,673 at December 31, 2020	122,119	241,489
3.74% Lease payable to equipment vendor entered into November 9, 2018, in the original amount of \$12,742, payable in equal monthly installments of \$223, including interest, through March 1, 2024, collateralized by equipment with an amortized cost of \$7,433 at December 31, 2020	7,957	10,504
3.65% Lease payable to bank entered into March 15, 2020, in the original amount of \$890,855, payable in equal monthly installments of \$16,403, including interest, through March 15, 2025, collateralized by equipment with an amortized cost of \$859,366 at December 31, 2020	763,054	
5.55% Note payable to equipment vendor entered into March 1, 2020, in the original amount of \$329,200, payable in equal monthly installments of \$6,298, including interest, through March 1, 2025, uncollateralized	<u>288,491</u>	
	18,231,621	18,386,703
Add net unamortized premium on bonds	1,209,422	1,355,005
Less current maturities of long-term debt	<u>(1,156,083)</u>	<u>(1,206,403)</u>
Long-term debt, net of current maturities	<u>\$ 18,284,960</u>	<u>\$ 18,535,305</u>

**Newman Memorial County Hospital
d/b/a Newman Regional Health
Notes to Financial Statements - Continued
December 31, 2020 and 2019**

Note E - Long-Term Debt - Continued

The following is a summary of changes in long-term debt:

	Hospital revenue <u>bonds</u>	Notes and leases <u>payable</u>	<u>Total</u>
Outstanding at January 1, 2019	\$ 18,585,000	\$ 1,130,039	\$ 19,715,039
Principal payments	<u>(755,000)</u>	<u>(573,336)</u>	<u>(1,328,336)</u>
Outstanding at December 31, 2019	17,830,000	556,703	18,386,703
Issuance of long term debt		1,217,004	1,217,004
Principal payments	<u>(780,000)</u>	<u>(592,086)</u>	<u>(1,372,086)</u>
Outstanding at December 31, 2020	<u>\$ 17,050,000</u>	<u>\$ 1,181,621</u>	<u>\$ 18,231,621</u>

Annual debt service requirements on long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,156,083	\$ 708,690	\$ 1,864,773
2022	1,071,797	676,212	1,748,009
2023	1,105,873	641,062	1,746,935
2024	1,139,687	604,740	1,744,427
2025	968,181	561,708	1,529,889
2026 - 2030	5,135,000	2,229,950	7,364,950
2031 - 2035	6,255,000	1,107,100	7,362,100
2036	<u>1,400,000</u>	<u>70,000</u>	<u>1,470,000</u>
	<u>\$ 18,231,621</u>	<u>\$ 6,599,462</u>	<u>\$ 24,831,083</u>

On October 31, 2016, the Lyon County Public Building Commission issued \$19,970,000 in Revenue Bonds, Series 2016-A, on behalf of the Hospital. The proceeds of these bonds were used to advance refund \$7,795,000 of the Series 2010-A bonds and fund an emergency room renovation and expansion. As a part of this transaction, the Hospital recognized a deferred refunding loss which is reported as a deferred outflow. The refunding loss is being systematically amortized over the period 2016 to 2021, the remaining term of the 2010-A bonds as of the date of the refunding. The proceeds from this issue were (1) used to advance refund the Series 2010-A bonds on December 1, 2018, and (2) pay certain costs related to the issuance of the 2016-A bonds, and (3) fund certain renovations to the Hospital facility.

The indenture agreement for the bonds requires the Hospital to transfer to a trustee, on a monthly basis, specified amounts which, when combined with interest earned on the respective funds held by the trustee, will provide sufficient funds to pay the bond principal and interest on the appropriate due dates. Such amounts were maintained and are included with assets limited as to use in the financial statements. The indenture agreement also includes certain restrictive covenants relating to the acquisition and disposition of property, incurrence of additional indebtedness, and level of fees and rates charged.

**Newman Memorial County Hospital
d/b/a Newman Regional Health
Notes to Financial Statements - Continued
December 31, 2020 and 2019**

Note F - SBA PPP Loan Payable

On May 1, 2020, the Hospital was granted a \$6,108,700 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Hospital is eligible for loan forgiveness of up to 100 percent of the loan, upon meeting certain requirements, including maintaining employment levels during the covered period and using the funds for certain payroll, rent, and utility expenses. The Hospital has recorded a note payable and will record the forgiveness upon being legally released from the loan obligation by the SBA. No forgiveness income has been recorded for the year ended December 31, 2020. The Hospital will be required to repay any remaining balance plus interest accrued at one percent in monthly principal and interest payments commencing upon review of the forgiveness application by the SBA through the maturity date of May 1, 2022, if not forgiven. The application for forgiveness has not been filed as of the report date of these financial statements.

Note G - Unearned CARES Act Revenue

During the year ended December 31, 2020, the Hospital was awarded federal grants through the Coronavirus Aid, Relief, and Economic Security Act, commonly referred to as the CARES Act. The funds were distributed through the United States Department of Health and Human Services (HHS). The Hospital received \$7,601,047 of HHS provider relief funds to be used to prevent, prepare for, and respond to coronavirus and to reimburse the Hospital for health care related expenses and lost revenues as defined by HHS, that are attributable to coronavirus. The Hospital also received \$49,461 of HHS rural health clinic testing funds to be used to support coronavirus testing and related expenses in the rural health clinics and \$500,000 of SPARK (Strengthening People and Revitalizing Kansas) grants from the state of Kansas to respond to coronavirus. As a condition to receiving these distributions, the Hospital agreed to the terms and conditions of the funds. These funds are considered voluntary nonexchange transactions and are recognized as unearned revenues until such time the conditions have been met. The Hospital has determined that the conditions for lost revenues and allowable expenditures have been met for \$4,443,241 of HHS provider relief funds, rural health clinic testing, and SPARK funds for the year ended December 31, 2020. These amounts have, therefore, been recognized and are classified in the financial statements as COVID-19 grant revenue or capital grants and contributions during the year ended December 31, 2020. The Hospital has deemed that the remaining \$3,827,267 of HHS provider relief funds and SPARK funds have not met the conditions for expenditure as of December 31, 2020. As a result, the Hospital has recorded these grant funds as unearned revenue at December 31, 2020. The terms and conditions of these programs are complex and subject to interpretation and evolving guidance. As a result, there is a reasonable possibility that recorded amounts could change by a material amount in the near term.

Note H - Medicare Accelerated Payments

The Coronavirus Aid, Relief, and Economic Security Act, commonly referred to as the CARES Act, provided for a temporary expansion of Medicare's ability to provide accelerated advance payments due to claim disruption or unusual operating circumstances. In April 2020, the Hospital requested and received advances under this program in response to the coronavirus pandemic totaling \$10,616,601. Medicare will recoup the payments by offsetting future claim and settlement payments due to the Hospital for services rendered to Medicare beneficiaries. The Continuing Appropriations Act, 2021 and Other Extensions Act amended the repayment (recoupment) terms of the accelerated payments. Recoupment will begin one year from the date payments were received. For the first 11 months, the recoupment rate will be 25 percent of Medicare payments. The recoupment rate will increase to 50 percent for the next 6 months. If the full amount has not

**Newman Memorial County Hospital
d/b/a Newman Regional Health
Notes to Financial Statements - Continued
December 31, 2020 and 2019**

Note H - Medicare Accelerated Payments - Continued

been recovered during the recoupment period, the remaining portion will be due in full on demand. If the demanded amount is not paid within 30 days, interest will be charged at 4 percent. The Hospital has recorded the accelerated payment liabilities as current and noncurrent based on estimated payments to be recouped using prior claim reimbursement history. The estimated recoupment/payment schedule is as follows:

2021		\$ 2,871,405
2022		<u>7,745,196</u>
		<u>\$ 10,616,601</u>

Note I - Defined Benefit Pension Plan

Plan description

The Hospital participates in the Kansas Public Employees Retirement System (KPERs), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, etc., seq. Substantially all employees of the Hospital are eligible to participate in KPERs. KPERs provides retirement benefits, life insurance, disability income benefits, and death benefits.

Kansas law establishes and amends benefit provisions. Substantially all public employees in Kansas are covered by KPERs. Participation by local political subdivisions and entities is optional, but irrevocable once elected. KPERs issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERs (611 S. Kansas Avenue, Topeka, Kansas 66603-3869) or by calling 1-888-275-5737.

Benefits

Benefits are established by statute and may only be changed by the Kansas Legislature. Members with ten or more years of credited service, may retire as early as age 55, with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever a member's combined age and years of credited service equal 85 "points."

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, members may withdraw their contributions from their individual accounts, including interest. Members who withdraw their accumulated contributions lose all rights and privileges of membership. For all pension coverage groups, the accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Members may choose one of seven payment options for their monthly retirement benefits. At retirement, a member may receive a lump-sum payment of up to 50 percent of the actuarial present value of the member's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas. For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

**Newman Memorial County Hospital
d/b/a Newman Regional Health
Notes to Financial Statements - Continued
December 31, 2020 and 2019**

Note I - Defined Benefit Pension Plan - Continued

Contributions

Member contributions are established by state law, and are paid by the employee according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined based on the results of an annual actuarial valuation for each of the three statewide pension groups. The contributions and assets of all groups are deposited in the Kansas Public Employees Retirement Fund established by K.S.A. 74-4921. All of the retirement systems are funded on an actuarial reserve basis.

KPERS has three benefit structures and funding depending on whether the employee is a Tier 1, Tier 2, or Tier 3 member. Tier 1 members were hired before July 1, 2009, Tier 2 members were first employed on or after July 1, 2009, and Tier 3 members were first employed on or after January 1, 2015. Kansas law establishes the KPERS member-employee contribution rate at 6 percent of covered salary for all members for 2020 and 2019, respectively. The employer rates established by statute at December 31, 2020 and 2019, are 8.61 percent and 8.89 percent, respectively.

The Hospital employer contributions to KPERS for the years ended December 31, 2020 and 2019, were \$2,473,136 and \$2,502,929, respectively, equal to the statutory required contributions for each year.

Employer and Nonemployer Allocations

Although KPERS administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each of the following groups of the plan:

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

To facilitate the separate (sub) actuarial valuations, the System maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The Hospital is included in the local group. The allocation percentages presented for each group in the schedule of employer and nonemployer allocations are applied to amounts presented in the schedules of pension amounts by employer and nonemployer. The allocation percentages for the Hospital's share of the collective pension amounts as of December 31, 2020 and 2019, are based on the ratio of each employer's contributions to total employer and nonemployer contributions of the group for the years ended June 30, 2020 and 2019, respectively. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. As of December 31, 2020, the Hospital's proportion was 1.485 percent which was a decrease of .03 percent from its share at December 31, 2019.

Net pension liability

At December 31, 2020 and 2019, the Hospital reported a liability of \$25,745,143 and \$21,188,245, respectively, for its proportionate share of the net pension liability.

**Newman Memorial County Hospital
d/b/a Newman Regional Health
Notes to Financial Statements - Continued
December 31, 2020 and 2019**

Note I - Defined Benefit Pension Plan - Continued

Actuarial Assumptions

The total pension liability was determined by actuarial valuations as of December 31, 2019 and 2018, which were then rolled forward to June 30, 2020 and 2019, using the following actuarial assumptions:

<u>Actuarial assumptions</u>	<u>2019</u>	<u>2018</u>
Price inflation	2.75%	2.75%
Salary increases, including wage increases	3.25% - 11.75%	3.5% - 12.00%
Long-term rate of return net of investment expense and including price inflation	7.50%	7.75%

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. Future mortality improvements are anticipated using Scale MP-2016.

The actuarial assumptions used in the December 31, 2019 and 2018 valuations were based on the results of an actuarial experience study conducted for the period January 1, 2016 through December 31, 2018.

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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocations as of June 30, 2020, are summarized in the following table:

<u>Asset class</u>	<u>Long-term target allocation</u>	<u>Long-term expected real rate of return</u>
U.S equities	23.50 %	5.20 %
Non-U.S. equities	23.50	6.40
Private equity	8.00	9.50
Private real estate	11.00	4.45
Yield driven	8.00	4.70
Real return	11.00	3.25
Fixed income	11.00	1.55
Short-term investments	<u>4.00</u>	0.25
Total	<u>100.00</u> %	

**Newman Memorial County Hospital
d/b/a Newman Regional Health
Notes to Financial Statements - Continued
December 31, 2020 and 2019**

Note I - Defined Benefit Pension Plan - Continued

Discount Rate

The discount rates used to measure the total pension liability as of December 31, 2019 and 2018, were 7.50 percent and 7.75 percent, respectfully. The State, school, and local employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the System's Board of Trustees for these groups may not increase by more than the statutory cap. The statutory cap for the year ended June 30, 2020, was 1.2 percent.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the net pension liability of the pension plan as of June 30, 2020, calculated using the discount rate of 7.50 percent, as well as what the pension plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease <u>(6.50%)</u>	Current discount rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
Hospital's share of net pension liability	\$ 36,233,720	\$ 25,745,143	\$ 16,926,984

Pension Expense

For the years ended December 31, 2020 and 2019, the Hospital recognized pension expense of \$3,764,727 and \$3,196,409, respectively, which includes the changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the period.

Deferred Outflows of Resources and Deferred Inflows of Resources

A summary of the collective deferred outflows of resources and deferred inflows of resources at December 31, 2020 and 2019, are included in the tables below. Experience gains/losses and the impact of changes in actuarial assumptions or other inputs, if any, are recognized over the average expected remaining service life of the active and inactive plan members at the beginning of the measurement period. Investment gains and losses are recognized over a fixed five-year period.

	<u>2020</u>	<u>2019</u>
Deferred outflows of resources		
Differences between expected and actual experience	\$ 429,866	\$ 46,380
Changes of assumptions	1,550,712	647,590
Net difference between projected and actual earnings on pension plan investments	3,003,818	498,494
Changes in proportion and differences between Hospital contributions and proportionate share of contributions	729,886	1,265,767
Employer contributions subsequent to the measurement date	<u>1,181,538</u>	<u>1,166,562</u>
Total deferred outflows of resources	<u>\$ 6,895,820</u>	<u>\$ 3,624,793</u>

**Newman Memorial County Hospital
d/b/a Newman Regional Health
Notes to Financial Statements - Continued
December 31, 2020 and 2019**

Note I - Defined Benefit Pension Plan - Continued

	<u>2020</u>	<u>2019</u>
Deferred inflows of resources		
Differences between expected and actual experience	\$ 330,986	\$ 533,609
Changes of assumptions		42,945
Changes in proportion and differences between Hospital contributions and proportionate share of contributions	355,652	104,364
Total deferred inflows of resources	\$ 686,638	\$ 680,918

The following table provides the deferred outflows of resources and deferred inflows of resources as of December 31, 2020, that will be recognized in pension expense in future years:

<u>Year ended December 31,</u>	Employer contributions subsequent to the measurement <u>date</u>	Recognition of net deferred outflows/(inflows) of resources <u>by year</u>	<u>Total</u>
2021	\$ 1,181,540	\$ 1,294,189	\$ 2,475,729
2022		1,421,929	1,421,929
2023		1,228,222	1,228,222
2024		1,046,865	1,046,865
2025		36,437	36,437
	\$ 1,181,540	\$ 5,027,642	\$ 6,209,182

Note J - Other Postemployment Benefit Plan

Plan description and benefits provided

The Kansas Public Employees Retirement System (KPERs) sponsors a long-term disability program for participating employers (the Plan). Participating employers pay the cost of the long-term disability and life insurance coverage for their members as provided by K.S.A. 74-04927. The Hospital is considered to be participating in a single employer long-term disability plan. The Plan is administered through a trust held by KPERs that is funded to pay annual benefit payments. However, because the trust's assets are used to pay employee benefits other than postemployment benefits (OPEB), the trust does not meet the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Accordingly, the Plan is considered to be administered on a pay-as-you-go basis.

Benefits are established by statute and may be amended by the KPERs Board of Trustees. The Plan provides long-term disability benefits equal to 60 percent (prior to January 1, 2006, 66 2/3 percent) of annual compensation, offset by other benefits. Members receiving long-term disability benefits also receive credit towards their KPERs retirement benefits and have their group life insurance coverage continued under the waiver of premium provision.

**Newman Memorial County Hospital
d/b/a Newman Regional Health
Notes to Financial Statements - Continued
December 31, 2020 and 2019**

Note J - Other Postemployment Benefit Plan - Continued

The monthly long-term disability benefit is 60 percent of the member's monthly 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 includes Social Security primary disability or retirement benefits, workers compensation benefits, other disability benefits from other sources by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while the disability continues until the member's 65th birthday or retirement date, whichever occurs first. If the disability begins after age 60, benefits are payable while the disability continues, for a period of five years or until the member retires, whichever occurs first. Benefit payments for disabilities caused or contributed to by substance abuse or non-biologically based mental illnesses are limited to the shorter of the term of the disability or 24 months per lifetime. There are no automatic cost-of-living increase provisions. KPERS has the authority to implement an ad hoc cost-of-living increase.

The death benefit paid to beneficiaries of disabled members is 150 percent of the greater of 1) the member's annual rate of compensation at the time of disability, or 2) the member's previous 12 months of compensation at the time of the past date on payroll. If the member has been disabled for five or more years, the annual compensation or salary rate at the time of death will be indexed using the consumer price index, less one percentage point, to compute the death benefit. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, the member may be eligible to receive up to 100 percent of the death benefit rather than having the benefit paid to the beneficiary. If a member retires or disability benefits end, the member may convert the group life insurance coverage to an individual insurance policy.

Covered employees

The Hospital has the following employees covered by the Plan as of December 31,

	<u>2019</u>	<u>2018</u>
Inactive employees or beneficiaries currently receiving benefit payments	7	9
Active employees	<u>452</u>	<u>446</u>
Total	<u><u>459</u></u>	<u><u>455</u></u>

Total OPEB liability

At December 31, 2020 and 2019, the Hospital reported a total OPEB liability of \$794,040 and \$834,949, respectively.

**Newman Memorial County Hospital
d/b/a Newman Regional Health
Notes to Financial Statements - Continued
December 31, 2020 and 2019**

Note J - Other Postemployment Benefit Plan - Continued

Actuarial assumptions

The total OPEB liability was determined by actuarial valuations as of December 31, 2019 and 2018, which were then rolled forward to June 30, 2020 and 2019, using the following actuarial assumptions:

<u>Actuarial assumptions</u>	<u>2019</u>	<u>2018</u>
Price inflation	2.75%	2.75%
Wage inflation	3.00%	3.00%
Salary increases, including wage increases	3.50% - 10.00%	3.50% - 10.00%
Discount rate	2.21%	3.50%

In 2019 and 2018, mortality rates used for the death benefits were based on the RP-2014 Mortality Tables. Future mortality improvements were projected using Scales MP-2020 and MP-2019 in 2019 and 2018, respectively. Mortality rates used for disability benefits were included in long-term disability claim termination rates.

The actuarial assumptions used in the December 31, 2019 and 2018 valuations were based on the results of an actuarial experience study conducted for the period January 1, 2016 through December 31, 2018, and the period January 1, 2013 through December 31, 2015, respectfully.

Changes in the total OPEB liability

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Liability at beginning of period	\$ 834,949	\$ 757,027
Changes for the year:		
Service cost	100,722	96,894
Interest	31,339	31,453
Changes of economic/demographic gains or losses	(127,193)	22,290
Changes in assumptions or other inputs	35,454	10,450
Benefit payments	<u>(81,231)</u>	<u>(83,165)</u>
Net change in liability	<u>(40,909)</u>	<u>77,922</u>
Liability at end of period	<u>\$ 794,040</u>	<u>\$ 834,949</u>

**Newman Memorial County Hospital
d/b/a Newman Regional Health
Notes to Financial Statements - Continued
December 31, 2020 and 2019**

Note J - Other Postemployment Benefit Plan - Continued

Sensitivity of the OPEB liability to changes in the discount rate

The following table presents the total OPEB liability as of June 30, 2020, calculated using the discount rate of 2.21 percent, as well as what the OPEB's liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current rate:

	1% decrease <u>(1.21%)</u>	Current discount rate <u>(2.21%)</u>	1% increase <u>(3.21%)</u>
Total OPEB liability	\$ 813,176	\$ 794,040	\$ 771,359

OPEB expense

For the years ended December 31, 2020 and 2019, the Hospital recognized OPEB expense of \$100,472 and \$106,034, respectively, which includes the changes in the total OPEB liability and the amortization of deferred outflows of resources and deferred inflows of resources for the period.

Deferred outflows and resources and deferred inflows of resources

A summary of the collective deferred outflows of resources and deferred inflows of resources related to the OPEB plan at December 31, 2020 and 2019, are included in the tables below.

	<u>2020</u>	<u>2019</u>
Deferred outflows of resources		
Differences between actual and expected experience	\$ 17,708	\$ 19,999
Changes in assumptions	40,171	9,376
Benefit payments subsequent to the measurement date	40,616	41,583
Total deferred outflows of resources	\$ 98,495	\$ 70,958
Deferred inflows of resources		
Differences between expected and actual experience	\$ 262,063	\$ 169,814
Changes of assumptions	21,265	24,860
Total deferred outflows of resources	\$ 283,328	\$ 194,674

**Newman Memorial County Hospital
d/b/a Newman Regional Health
Notes to Financial Statements - Continued
December 31, 2020 and 2019**

Note J - Other Postemployment Benefit Plan - Continued

The following table provides the deferred outflows of resources and deferred inflows of resources as of December 31, 2020, that will be recognized in OPEB expense in future years:

Year ended <u>December 31,</u>	Benefit payments subsequent to the measurement date	Recognition of net deferred outflows/(inflows) of resources by year	Total
2021	\$ 40,616	\$ (31,589)	\$ 9,027
2022		(31,589)	(31,589)
2023		(31,589)	(31,589)
2024		(31,589)	(31,589)
2025		(31,589)	(31,589)
Thereafter	<u> </u>	<u>(67,504)</u>	<u>(67,504)</u>
	<u>\$ 40,616</u>	<u>\$ (225,449)</u>	<u>\$ (184,833)</u>

Note K - Employee Health Insurance Claims

The Hospital is partially self-insured for health insurance claims of its employees. The Hospital has reinsured a portion of its risk for such claims. The reinsurance arrangement covers annual claims in excess of \$150,000 for each covered individual. Covered employees also provide part of the funds to pay claims through monthly contributions at predetermined rates. The Hospital has retained an insurance company as its agent to process and settle claims. The Hospital reimburses the agent weekly for the amount of claims paid by the agent net of any amounts covered by reinsurance.

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

	<u>2020</u>	<u>2019</u>
Estimated employee health insurance claims payable at beginning of period	\$ 417,000	\$ 451,000
Provision for employer's share of incurred claims expenses for the period	3,751,029	3,495,934
Employee contributions	1,281,948	1,249,002
Payments made for claims, expenses, and reinsurance	<u>(5,166,977)</u>	<u>(4,778,936)</u>
Estimated employee health insurance claims payable at end of period	<u>\$ 283,000</u>	<u>\$ 417,000</u>

**Newman Memorial County Hospital
d/b/a Newman Regional Health
Notes to Financial Statements - Continued
December 31, 2020 and 2019**

Note L - Interest Expense

Total interest costs incurred are as follows:

	<u>2020</u>	<u>2019</u>
Total interest incurred	\$ 741,536	\$ 736,023
Amortization of bond premium	(145,585)	(152,245)
Amortization of deferred outflows on advance refunding	28,829	57,978
Amortization of prepaid bond insurance	<u>9,223</u>	<u>9,645</u>
 Interest expense	 <u>\$ 634,003</u>	 <u>\$ 651,401</u>

Note M - Lease Commitments

Space is leased in the Hospital and the medical office building to various physicians and other medical professionals. Lease income for the years ended December 31, 2020 and 2019, was \$597,704 and \$598,092, respectively. Future minimum lease payments receivable under these agreements are not material to the financial statements.

The Hospital also leases property and equipment under various operating leases with related rentals charged to operations as incurred. Total rent expense for the years ended December 31, 2020 and 2019, was \$297,230 and \$268,740, respectively. Scheduled minimum rental payments for all noncancellable operating leases with remaining terms of one year or more are not material to the financial statements.

Note N - Deposits with Financial Institutions

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

The carrying amount of the Hospital's deposits with financial institutions was \$26,706,076 and the bank balance was \$27,749,629 at December 31, 2020.

The bank balance is categorized as follows:

Amount insured by the F.D.I.C., bank deposit guaranty bond, or collateralized with securities held by the Hospital in its name	\$ 390,135
Uncollateralized (collateralized with securities held in safekeeping under joint custody receipt by an authorized depository other than the pledging financial institution's trust department, but not in the Hospital's name)	<u>27,359,494</u>
	<u>\$ 27,749,629</u>

**Newman Memorial County Hospital
d/b/a Newman Regional Health
Notes to Financial Statements - Continued
December 31, 2020 and 2019**

Note O - Concentration of Credit Risk

The Hospital is located in Emporia, Kansas. The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors is as follows:

	<u>2020</u>	<u>2019</u>
Medicare	33 %	30 %
Medicaid	9	12
Blue Cross	16	16
Commercial insurance	18	14
Self-pay	<u>24</u>	<u>28</u>
	<u>100 %</u>	<u>100 %</u>

Note P - Risk Management

The Hospital is insured for professional liability under a comprehensive hospital liability policy provided by an independent insurance carrier with limits of \$200,000 per occurrence up to an annual aggregate of \$600,000 for all claims made during the policy year. The Hospital is further covered by the Kansas Health Care Stabilization Fund for claims in excess of its comprehensive hospital liability policy up to \$800,000 pursuant to any one judgment or settlement against the Hospital for any one party, subject to an aggregate limitation for all judgments or settlements arising from all claims made in the policy year in the amount of \$2,400,000. The policy provided by the independent insurance carrier provides for umbrella liability in excess of the underlying limits set forth above in the amount of \$7,000,000 per occurrence with an aggregate amount in any policy year of \$7,000,000. All coverage is on a claims-made basis. The above policies were renewed in January 2021 for the policy period from January 1, 2021 to January 1, 2022.

In addition to the risk disclosed elsewhere in these financial statements and notes thereto, the Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Hospital purchases commercial insurance for these risks. Settled claims have not exceeded this commercial coverage in any of the past three years.

Note Q - Receivables Sold with Recourse

The Hospital has an agreement with a local financial institution under which it sells the Hospital's interest in certain self-pay accounts receivable. Sales under this agreement in 2020 and 2019 amounted to approximately \$195,000 and \$194,000, respectively. At December 31, 2020 and 2019, approximately \$301,000 and \$332,000 of such receivables remained uncollected. The receivables are sold with full recourse, and the Hospital is contingently liable for any uncollected amounts. The Hospital has recorded a liability for receivables sold at December 31, 2020 and 2019, of \$88,000 and \$96,000, respectively.

**Newman Memorial County Hospital
d/b/a Newman Regional Health
Notes to Financial Statements - Continued
December 31, 2020 and 2019**

Note R - Fair Value Measurements

The Hospital categorizes fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are unadjusted quoted prices for identical assets in active markets. Level 2 inputs are significant other observable inputs. Level 3 inputs are unobservable, supported by little or no market activity.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodology used for assets measured at fair value on a recurring basis:

Money market treasury fund is valued at unadjusted quoted prices for identical securities in active markets (Level 1 inputs).

U.S. Government and Agency bonds are valued at prices provided by independent pricing services (Level 2 inputs).

The Hospital has the following recurring fair value measurements at December 31, 2020 and 2019, included under the caption of Assets Limited as to Use under bond indenture agreements held by trustee:

Money Market Treasury Fund of \$0 and \$296,666, respectively, are valued at unadjusted quoted prices (Level 1).

U.S. Government and Agency obligations of \$1,354,622 and \$1,855,742, respectively, are valued at prices provided by independent pricing services to the trustee (Level 2).

Note S - Assets Held in Community Foundation Custodian Account

On December 26, 2019, The Foundation entered into an agreement to transfer all of its cash and investments to the Emporia Community Foundation (ECF) which were used to establish a field of interest fund titled Newman Regional Health Fund (Fund). An Advisory committee was established with the creation of the Fund that may recommend disbursements up to the value of the Fund for projects and programs within the scope of the Fund and donors. The market value of the assets held by ECF and held in a custodian account on behalf of the Hospital was \$6,871,976 and \$6,055,478 as of December 31, 2020 and 2019, respectively. The assets related to this agreement are not included in the accompanying financial statements as the agreement grants variance power over the funds to the ECF.

**Newman Memorial County Hospital
d/b/a Newman Regional Health
Notes to Financial Statements - Continued
December 31, 2020 and 2019**

Note T - Condensed Combining Information

Condensed financial data for the Hospital and its blended component unit prior to the transfer of Foundation assets to the Emporia Community Foundation and for the year ended 2019 is as follows:

	Statements of Revenues, Expenses, and Changes in Net Position - 2019			
	<u>Hospital</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
Operating revenue				
Net patient service revenue	\$ 66,907,284	\$ -	\$ -	\$ 66,907,284
Other revenues	<u>2,319,473</u>		<u>(42,630)</u>	<u>2,276,843</u>
Total operating revenues	<u>69,226,757</u>	<u>-</u>	<u>(42,630)</u>	<u>69,184,127</u>
Operating expenses excluding depreciation and amortization	69,053,102			69,053,102
Depreciation and amortization	<u>4,208,410</u>			<u>4,208,410</u>
Total operating expenses	<u>73,261,512</u>	<u>-</u>	<u>-</u>	<u>73,261,512</u>
Operating loss	(4,034,755)	-	(42,630)	(4,077,385)
Nonoperating revenues (expenses)	<u>310,956</u>	<u>903,551</u>	<u>42,630</u>	<u>1,257,137</u>
Excess of revenues over (under) expenses	(3,723,799)	903,551		(2,820,248)
Capital grants and contributions	532,049			532,049
Transfer of net assets to community foundation		<u>(6,383,386)</u>		<u>(6,383,386)</u>
Change in net position	(3,191,750)	(5,479,835)	-	(8,671,585)
Beginning net position	<u>6,518,805</u>	<u>5,479,835</u>		<u>11,998,640</u>
Ending net position	<u>\$ 3,327,055</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,327,055</u>
	Statement of Cash Flow - 2019			
	<u>Hospital</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net cash provided (used) by				
Operating activities	\$ 1,130,595	\$ (21,922)	\$ (42,630)	\$ 1,066,043
Noncapital financing activities	594,524	(355,574)	42,630	281,580
Capital and related financing activities	(4,466,673)			(4,466,673)
Investing activities	<u>2,907,582</u>	<u>131,291</u>		<u>3,038,873</u>
Net change in cash and cash equivalents	166,028	(246,205)	-	(80,177)
Cash and cash equivalents at beginning of year	<u>4,338,766</u>	<u>246,205</u>		<u>4,584,971</u>
Cash and cash equivalents at end of year	<u>\$ 4,504,794</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,504,794</u>

Required Supplementary Information

**Newman Memorial County Hospital
d/b/a Newman Regional Health
Schedule of the Hospital's Proportionate Share of the
Net Defined Pension Plan Liability**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Hospital's proportion of the net pension liability	1.4850%	1.5163%	1.5180%	1.4379%	1.4021%	1.3113%	1.3564%	1.2942%
Hospital's proportionate share of the net pension liability	\$ 25,745,143	\$ 21,188,245	\$ 21,158,290	\$ 20,827,835	\$ 21,690,948	\$ 17,217,737	\$ 16,695,265	\$ 19,700,203
Hospital's covered employee payroll	28,723,995	28,154,432	27,809,631	26,441,702	23,875,340	22,679,072	22,551,539	21,110,604
Hospital's proportionate share of the net pension liability as a percentage of its covered-employee payroll	89.63%	75.26%	76.08%	78.77%	90.85%	75.92%	74.03%	93.32%
Plan fiduciary net position as a percentage of the total pension liability	70.77%	75.02%	74.22%	72.15%	68.55%	71.98%	72.56%	64.56%

**Newman Memorial County Hospital
d/b/a Newman Regional Health
Schedule of Hospital Contributions to Defined Pension Plan**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 2,473,136	\$ 2,502,929	\$ 2,333,228	\$ 2,236,968	\$ 2,188,919	\$ 2,225,967	\$ 1,916,622	\$ 1,682,203	\$ 1,561,800	\$ 1,435,114
Contributions in relation to the contractually required contribution	<u>(2,473,136)</u>	<u>(2,502,929)</u>	<u>(2,333,228)</u>	<u>(2,236,968)</u>	<u>(2,188,919)</u>	<u>(2,225,967)</u>	<u>(1,916,622)</u>	<u>(1,682,203)</u>	<u>(1,561,800)</u>	<u>(1,435,114)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Hospital's covered-employee payroll	<u>\$ 28,723,995</u>	<u>\$ 28,154,432</u>	<u>\$ 27,809,631</u>	<u>\$ 26,441,702</u>	<u>\$ 23,875,340</u>	<u>\$ 22,679,072</u>	<u>\$ 22,551,539</u>	<u>\$ 21,110,604</u>	<u>\$ 21,340,025</u>	<u>\$ 21,239,066</u>
Contributions as a percentage of covered-employee payroll	8.61%	8.89%	8.39%	8.46%	9.17%	9.82%	8.50%	7.97%	7.32%	6.76%

**Newman Memorial County Hospital
d/b/a Newman Regional Health
Schedule of Changes in the Hospital's
Total OPEB Liability and Related Ratios**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Service cost	\$ 100,722	\$ 96,894	\$ 95,704	\$ 93,936
Interest on total OPEB liability	31,339	31,453	35,035	27,344
Effect of economic/demographic gains or losses	(127,193)	22,290	(213,980)	
Effect of assumption changes or inputs	35,454	10,450	(8,148)	(26,656)
Benefit payments	<u>(81,231)</u>	<u>(83,165)</u>	<u>(68,393)</u>	<u>(86,043)</u>
Net change in total OPEB liability	<u>(40,909)</u>	<u>77,922</u>	<u>(159,782)</u>	<u>8,581</u>
Total OPEB liability, beginning	<u>834,949</u>	<u>757,027</u>	<u>916,809</u>	<u>908,228</u>
Total OPEB liability, ending	<u>\$ 794,040</u>	<u>\$ 834,949</u>	<u>\$ 757,027</u>	<u>\$ 916,809</u>
Covered payroll	\$ 26,015,000	\$ 26,426,000	\$ 25,904,000	\$ 23,561,000
Total OPEB liability as a % of covered payroll	3.05%	3.16%	2.92%	3.89%