Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center

Independent Auditor's Report and Financial Statements

December 31, 2021 and 2020

Hospital District No. 6 of Harper County, Kansas
d/b/a Patterson Health Center
December 31, 2021 and 2020

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BKD
CPAs & Advisors

1551 N. Waterfront Parkway, Suite 300 | Wichita, KS 67206-6601
316.265.2811 | Fax 316.265.9405 | bkd.com

Independent Auditor's Report

Board of Directors
Hospital District No. 6 of Harper County, Kansas
d/b/a Patterson Health Center
Anthony, Kansas

Opinion

We have audited the accompanying financial statements of Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center (Health Center), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center as of December 31, 2021 and 2020, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the pension and other postemployment 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 audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Health Center'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 basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

BKD, LLP

Wichita, Kansas
May 16, 2022

Hospital District No. 6 of Harper County, Kansas
d/b/a Patterson Health Center
Balance Sheets
December 31, 2021 and 2020

Assets and Deferred Outflows of Resources

	2021	2020
Current Assets		
Cash	$ 8,864,674	$ 7,660,618
Restricted cash	97,076	78,238
Patient accounts receivable, net of allowance;		
2021 - $660,000, 2020 - $818,056	2,729,877	3,238,901
Property taxes receivable	1,421,411	1,421,412
Estimated amounts due from Medicare	340,000	-
Supplies	1,149,369	728,120
Prepaid expenses and other	532,689	592,086
Total current assets	15,135,096	13,719,375
Noncurrent Deposits		
Cash - project fund	551,608	633,508
Certificates of deposit	1,855,289	1,837,691
Total noncurrent deposits	2,406,897	2,471,199
Capital Assets, Net	28,672,129	31,181,018
Prepaid Expenses - Noncurrent	488,568	767,529
Total assets	46,702,690	48,139,121
Deferred Outflows of Resources - Pension		
Pension	2,689,693	3,369,726
Other postemployment benefits	283,872	324,190
Total deferred outflows of resources	2,973,565	3,693,916
Total assets and deferred outflows of resources	$ 49,676,255	$ 51,833,037

See Notes to Financial Statements

Liabilities, Deferred Inflows of Resources and Net Position

	2021	2020
Current Liabilities		
Current maturities of long-term debt	$ 692,025	$ 627,319
Accounts payable	473,096	195,943
Accrued expenses	1,044,163	878,651
Estimated amounts due to Medicare	-	250,000
Unearned revenue	1,305,384	4,179,095
Total current liabilities	3,514,668	6,131,008
Long-term Debt	5,486,308	5,778,728
Net Pension Liability	5,084,562	7,157,824
Total Other Postemployment Benefits Liability	259,481	469,056
Total liabilities	14,345,019	19,536,616
Deferred Inflows of Resources		
Pension	3,180,471	2,180,764
Other postemployment benefits	145,603	4,374
Property taxes	1,432,830	1,475,393
Total deferred inflows of resources	4,758,904	3,660,531
Net Position (Deficit)		
Net investment in capital assets	23,045,404	25,350,189
Unrestricted	7,526,928	3,285,701
Total net position	30,572,332	28,635,890
Total liabilities, deferred inflows of resources and net position	$ 49,676,255	$ 51,833,037

Hospital District No. 6 of Harper County, Kansas
d/b/a Patterson Health Center
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2021 and 2020

	2021	2020
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2021 - $642,979, 2020 - $682,810	$ 15,363,149	$ 14,304,307
340B drug pricing program	3,742,272	2,049,181
Other operating revenues	400,409	257,714
Total operating revenues	19,505,830	16,611,202
Operating Expenses		
Salaries and wages	8,497,356	8,499,008
Employee benefits	2,056,562	2,682,309
Purchased services and professional fees	2,224,429	1,259,554
Supplies and other	7,156,307	5,998,271
Depreciation	3,280,384	3,214,175
Total operating expenses	23,215,038	21,653,317
Operating Loss	(3,709,208)	(5,042,115)
Nonoperating Revenues (Expenses)		
Interest income	32,662	42,000
Interest expense	(216,250)	(231,509)
Loss on disposal of capital assets	-	(4,604,756)
Noncapital contributions	162,531	103,000
Property tax appropriations	1,444,825	1,715,553
Provider Relief Funds (*CARES Act*)	4,196,578	223,856
Paycheck Protection Program (PPP) loan forgiveness	-	1,879,790
Total nonoperating revenues (expenses)	5,620,346	(872,066)
Excess (Deficiency) of Revenue Over Expenses Before Capital Grants and Gifts	1,911,138	(5,914,181)
Capital Grants and Gifts	25,304	76,735
Increase (Decrease) in Net Position	1,936,442	(5,837,446)
Net Position, Beginning of Year	28,635,890	34,473,336
Net Position, End of Year	$ 30,572,332	$ 28,635,890

Hospital District No. 6 of Harper County, Kansas
d/b/a Patterson Health Center
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities		
Receipts from and on behalf of patients	$ 15,350,155	$ 15,853,962
Payments to suppliers and contractors	(9,254,456)	(7,345,045)
Payments to employees	(10,809,956)	(11,003,514)
Other receipts, net	1,226,408	6,511,901
Net cash provided by (used in) operating activities	(3,487,849)	4,017,304
Cash Flows From Noncapital Financing Activities		
Noncapital grants and gifts	162,531	103,000
Property taxes supporting operations	1,444,825	1,715,553
Provider Relief Funds (*CARES Act*)	4,196,578	223,856
Proceeds from issuance of PPP loan	-	1,879,790
Net cash provided by noncapital financing activities	5,803,934	3,922,199
Cash Flows From Capital and Related Financing Activities		
Principal paid on long-term debt	(627,714)	(625,959)
Capital grants and gifts	25,304	76,735
Proceeds from sale of capital assets	-	34,786
Interest paid on long-term debt	(216,250)	(231,509)
Purchase of capital assets	(371,495)	(331,022)
Net cash used in capital and related financing activities	(1,190,155)	(1,076,969)
Cash Flows From Investing Activities		
Purchase of certificates of deposit	(2,411,621)	(1,579,606)
Proceeds from maturities of certificates of deposit	2,394,023	1,542,789
Interest on deposits	32,662	42,000
Net cash provided by investing activities	15,064	5,183
Increase in Cash	1,140,994	6,867,717
Cash, Beginning of Year	8,372,364	1,504,647
Cash, End of Year	$ 9,513,358	$ 8,372,364

Hospital District No. 6 of Harper County, Kansas
d/b/a Patterson Health Center
Statements of Cash Flows (Continued)
Years Ended December 31, 2021 and 2020

	2021	2020
Reconciliation of Cash to the Balance Sheets		
Cash	$ 8,864,674	$ 7,660,618
Restricted cash	97,076	78,238
Cash - project fund	551,608	633,508
	$ 9,513,358	$ 8,372,364
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities		
Operating loss	$ (3,709,208)	$ (5,042,115)
Depreciation	3,280,384	3,214,175
Provision for uncollectible accounts	642,979	682,810
Changes in operating assets and liabilities		
Patient accounts receivable	(133,955)	160,266
Supplies	(421,249)	(103,010)
Prepaid expenses and other assets	338,358	142,159
Accounts payable and accrued liabilities	400,103	(126,616)
Estimated third-party payer settlements	(590,000)	805,000
Unearned revenue	(2,873,711)	4,179,095
Net pension liability	(2,073,262)	917,760
Total other postemployment benefits liability	(209,575)	318,541
Deferred outflows of resources - pension and OPEB	720,351	(725,843)
Deferred inflows of resources - pension and OPEB	1,140,936	(404,918)
Net cash provided by (used in) operating activities	$ (3,487,849)	$ 4,017,304
Noncash Investing, Capital and Financing Activities		
Capital lease obligation incurred for property and equipment	$ 400,000	$ -
Capital assets included in accounts payable	$ -	$ 58,290
Paycheck Protection Program (PPP) loan forgiveness	$ -	$ 1,879,790

Hospital District No. 6 of Harper County, Kansas
d/b/a Patterson Health Center
Notes to Financial Statements
December 31, 2021 and 2020

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

Nature of Operations and Reporting Entity

Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center, (the Health Center), was organized for the purpose of providing health care services to patients in Harper County, Kansas and the surrounding area. The Health Center is governed by a Board of Directors elected by the registered voters of the District. The Health Center primarily earns revenues by providing inpatient and outpatient services to patients in south central Kansas.

Harper County Health Foundation (Foundation) is a not-for-profit organization whose primary purpose is to support and promote overall health and wellness within the Harper County, Kansas, area and surrounding communities. During 2019, the Foundation was considered to be a discretely presented component unit of the Health Center. This assessment changed in 2020 due to a change in the nature of the relationship between the Health Center and the Foundation as well as the levels of support provided to the Health Center. As a result, the Foundation is no longer considered to be a component unit of the Health Center to be included as a discretely presented unit. This change had no impact on the balance sheets or statements of revenues, expenses and changes in net position of the Health Center.

Basis of Accounting and Presentation

The financial statements of the Health Center 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 (principally federal and state grants and property and sales taxes) 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 property taxes, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Health Center first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

Budgetary Principles

The Health Center is required by state statutes to adopt annual budgets on or before August 25th for the ensuing calendar year. The Board may amend the budget by transferring budgeted amounts from one object or purpose to another within the same fund. Expenditures may not legally exceed the total amount of the adopted budget of individual funds.

For budget purposes, the general and debt service funds utilize the modified accrual basis of accounting. The modification in such method from the accrual basis is that revenues are recognized when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized when the related fund liability is incurred.

Applicable Kansas statutes require the use of an encumbrance system as a management control technique to assist in controlling expenditures. For budgetary purposes, encumbrances of the budgeted governmental fund types, representing purchase orders, contracts and other commitments, are reported as a charge to the current year budget. All unencumbered appropriations lapse at the end of the calendar year. There were no material encumbrances at December 31, 2021 and 2020. Budgeted revenue and expenditure amounts represent the original budget adopted by the Board.

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 Health Center considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2021 and 2020, there were no cash equivalents.

Noncurrent Deposits

Noncurrent deposits include assets consisting of certificates of deposit set aside by the Board of Directors for future capital improvements over which the Board of Directors retains control and may at its direction subsequently use for other purposes.

Property Tax Revenues

The Health Center received approximately 6% in 2021 and 8% in 2020 of its financial support from property taxes. One hundred percent of those funds were used to support operations of the Health Center in both years.

Property taxes are levied in November and are received beginning in January of the following year. Revenue from property taxes is recognized in the year for which the taxes are levied.

Risk Management

The Health Center 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; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters, except workers' compensation. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Workers' compensation coverage is provided through a fund managed by the Kansas Hospital Association. The workers' compensation premiums are subject to retrospective adjustment based upon the overall performance of the fund. Management believes adequate reserves are in place within the plan to cover claims incurred but not reported and no additional amounts have been accrued related to claims for this plan.

Patient Accounts Receivable

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

Supplies

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

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation, if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations 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 Health Center:

Land improvements	3 - 20 years
Buildings and leasehold improvements	5 - 40 years
Equipment	3 - 20 years

Capital Asset Impairment

The Health Center evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment loss. No asset impairment was recognized during the years ended December 31, 2021 and 2020.

Compensated Absences

Health Center policies permit most employees to accumulate vacation 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.

Deferred Outflows of Resources

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

Paycheck Protection Program (PPP) Loan

The Health Center received a PPP loan established by the *Coronavirus Aid, Relief and Economic Security Act (CARES Act)* and has accounted for the funding as debt in accordance with GASB 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan is recognized as nonoperating revenue in the financial statements in the period the debt is legally forgiven. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration (SBA), or lender; as a result of such audit, adjustment could be required to any revenue recognized. The Health Center received legal notice on November 27, 2020, that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment as nonoperating revenue in the accompanying statements of revenues and expenses and changes in net position.

Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

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

Net Position

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

- Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets.

Net Patient Service Revenue

The Health Center has agreements with third-party payers that provide for payments to the Health Center 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.

Uncompensated Care

The Health Center provides care at amounts less than its established rates to patients meeting certain criteria under its uncompensated care policy. Because the Health Center does not pursue collection of amounts determined to qualify as uncompensated care, these amounts are not reported as net patient service revenue.

Provider Relief Funds (CARES Act)

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

Income Taxes

As a Hospital District (a political subdivision of Harper County and the state of Kansas), the Health Center is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. The Health Center has also obtained 501(c)(3) status with the IRS.

Reclassifications

Certain reclassifications have been made to the 2020 financial statements to conform to the 2021 financial statement presentation. These reclassifications had no effect on the changes in financial position.

Note 2: 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 Health Center's deposit policy for custodial credit risk requires compliance with the provisions of state law.

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

At December 31, 2021 and 2020, $9,296,242 and $8,159,865 of the Health Center's bank balances of $9,862,966 and $8,732,655, respectively, were exposed to custodial credit risk as follows:

	2021	2020
Uninsured and collateral held by pledging financial institution	$ 9,296,242	$ 8,159,865

Summary of Carrying Values

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

	2021	2020
Carrying value		
Deposits	$ 11,368,247	$ 10,209,655
Petty cash	400	400
	$ 11,368,647	$ 10,210,055
Included in the following balance sheet captions		
Cash	$ 8,864,674	$ 7,660,618
Restricted cash	97,076	78,238
Cash - project fund	551,608	633,508
Noncurrent deposits - certificates of deposit	1,855,289	1,837,691
	$ 11,368,647	$ 10,210,055

Note 3: Patient Accounts Receivable

The Health Center 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:

	2021	2020
Medicare	$ 1,166,528	$ 1,394,709
Medicaid	153,594	296,287
Other third-party payers	882,185	1,083,549
Patients	1,187,570	1,282,412
	3,389,877	4,056,957
Less allowance for uncollectible accounts	660,000	818,056
	$ 2,729,877	$ 3,238,901

Note 4: Capital Assets

Capital asset activity for the years ended December 31 was:

	2021				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 10,000	$ -	$ -	$ -	$ 10,000
Land improvements	284,608	-	-	-	284,608
Buildings	30,316,963	19,023	-	457,049	30,793,035
Construction in process	4,550	452,499	-	(457,049)	-
Equipment	5,208,400	299,973	-	-	5,508,373
	35,824,521	771,495	-	-	36,596,016
Less accumulated depreciation					
Land improvements	180,941	2,103,373	-	-	2,284,314
Buildings	2,869,143	7,000	-	-	2,876,143
Equipment	1,593,419	1,170,011	-	-	2,763,430
	4,643,503	3,280,384	-	-	7,923,887
Capital Assets, Net	$ 31,181,018	$ (2,508,889)	$ -	$ -	$ 28,672,129

	2020				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 250,710	$ 10,000	$ (250,710)	$ -	$ 10,000
Land improvements	284,608	-	-	-	284,608
Buildings	35,671,957	120,000	(5,474,994)	-	30,316,963
Construction in process	-	4,550	-	-	4,550
Equipment	6,948,819	254,762	(1,995,181)	-	5,208,400
	43,156,094	389,312	(7,720,885)	-	35,824,521
Less accumulated depreciation					
Land improvements	180,941	-	-	-	180,941
Buildings	2,354,485	2,110,731	(1,596,073)	-	2,869,143
Equipment	1,975,245	1,103,444	(1,485,270)	-	1,593,419
	4,510,671	3,214,175	(3,081,343)	-	4,643,503
Capital Assets, Net	$ 38,645,423	$ (2,824,863)	$ (4,639,542)	$ -	$ 31,181,018

During 2020, the Health Center transferred title to the former Anthony and Harper campuses to the Harper County Health Foundation for no consideration. The transfer of assets is reflected above as disposal of capital assets.

Note 5: Long-term Obligations

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

	2021				
	Beginning Balance	Additions	Payments	Ending Balance	Current Portion
Long-term debt					
Hospital revenue bonds -					
Series 2014	$ 317,653	$ -	$ 30,016	$ 287,637	$ 31,217
Series 2017	1,680,872	-	45,140	1,635,732	46,212
Series 2018	4,050,015	-	447,432	3,602,583	463,092
Capital lease obligations	357,507	400,000	105,126	652,381	151,504
	$ 6,406,047	$ 400,000	$ 627,714	$ 6,178,333	$ 692,025

	2020				
	Beginning Balance	Additions	Payments	Ending Balance	Current Portion
Long-term debt					
Hospital revenue bonds -					
Series 2014	$ 346,514	$ -	$ 28,861	$ 317,653	$ 30,016
Series 2017	1,724,855	-	43,983	1,680,872	45,140
Series 2018	4,482,317	-	432,302	4,050,015	447,432
PPP loan	-	1,879,790	1,879,790	-	-
Capital lease obligations	478,320	-	120,813	357,507	104,731
	$ 7,032,006	$ 1,879,790	$ 2,505,749	$ 6,406,047	$ 627,319

Hospital District No. 6 of Harper County, Kansas, Hospital Revenue Bond – Series 2014

Effective July 14, 2014, the Health Center entered into the Hospital District No. 6 of Harper County, Kansas, Revenue Bond, Series 2014, issued under the United States Department of Agriculture (USDA), Rural Development program in the amount of $475,000 and bearing interest at 4.00% for the radiology department remodeling project. Principal and interest payments under this series began July 25, 2015 and extend through July 25, 2029.

The Health Center's debt service requirements for the Series 2014 bonds as of December 31, 2021, are as follows:

Year Ending December 31,	Total to be Paid	Principal	Interest
2022	$ 42,722	$ 31,217	$ 11,505
2023	42,722	32,465	10,257
2024	42,722	33,764	8,958
2025	42,722	35,114	7,608
2026	42,722	36,519	6,203
2027-2029	128,166	118,558	9,608
	$ 341,776	$ 287,637	$ 54,139

Hospital District No. 6 of Harper County, Kansas, Hospital Revenue Bond – Series 2017

Effective November 1, 2017, the Health Center entered into the Hospital District No. 6 of Harper County, Kansas, Revenue Bond, Series 2017, issued under the United States Department of Agriculture (USDA), Rural Development program in the amount of $1,810,000 and bearing interest at 2.35% for refunding of debt. Principal and interest payments under this series began October 26, 2018 and extend through October 26, 2047.

The indenture agreement requires the Health Center to comply with certain restrictive covenants including minimum insurance coverage, maintaining a debt-service coverage ratio of at least 1.10 to 1 and restrictions on incurring additional debt.

The Health Center's debt service requirements for the Series 2017 bonds as of December 31, 2021, are as follows:

Year Ending December 31,	Total to be Paid	Principal	Interest
2022	$ 85,060	$ 46,212	$ 38,848
2023	85,060	47,309	37,751
2024	85,061	48,333	36,728
2025	85,061	49,581	35,480
2026	85,060	50,758	34,302
2027-2031	425,302	272,364	152,938
2032-2036	425,303	306,237	119,066
2037-2041	425,303	344,468	80,835
2042-2046	425,304	387,383	37,921
2047	85,060	83,087	1,973
	$ 2,211,574	$ 1,635,732	$ 575,842

Hospital District No. 6 of Harper County, Kansas, Hospital Revenue Bond – Series 2018

Effective December 20, 2018, the Health Center entered into the Hospital District No. 6 of Harper County, Kansas, Revenue Bond, Series 2018, issued under the United States Department of Agriculture (USDA), Rural Development program in the amount of $4,900,000 and bearing interest at 3.50% for the purchase of equipment. Principal and interest payments under this series began December 20, 2019 and extend through December 20, 2028.

The Health Center's debt service requirements for the Series 2018 bonds as of December 31, 2021, are as follows:

Year Ending December 31,	Total to be Paid	Principal	Interest
2022	$ 589,182	$ 463,092	$ 126,090
2023	589,183	479,301	109,882
2024	589,183	496,076	93,107
2025	589,183	513,439	75,744
2026	589,183	531,409	57,774
2027-2028	1,178,364	1,119,266	59,098
	$ 4,124,278	$ 3,602,583	$ 521,695

Paycheck Protection Program (PPP) Loan

The *CARES Act* and other subsequent legislation provides an SBA loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. The Health Center received a PPP loan of $1,879,790 in 2020. The Health Center received legal notice on November 27, 2020, that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment as other nonoperating revenue in the accompanying statements of revenues, expenses and changes in net position.

Capital Lease Obligations

The Health Center is obligated under leases for buildings and equipment that are accounted for as capital leases. A schedule of the capital assets and accumulated depreciation under capital leases at December 31, 2021 and 2020, follows:

	2021	2020
Buildings	$ 410,600	$ 410,600
Equipment	1,269,808	794,758
	1,680,408	1,205,358
Less accumulated depreciation	929,630	816,403
	$ 750,778	$ 388,955

The following is a schedule by year of future minimum lease payments under the capital leases, including interest at rates of 3.70% to 7.45%, together with the present value of the future minimum lease payments as of December 31, 2021:

2022	$	179,819
2023		179,820
2024		112,064
2025		68,042
2026		68,042
2027-2028		136,088
Total minimum lease payments		743,875
Less amount representing interest		91,494
Present value of future minimum lease payments	$	652,381

Note 6: Medical Malpractice Coverage and Claims

The Health Center purchases medical malpractice insurance under a claims-made policy with a fixed premium which provides $200,000 of coverage for each medical incident and $600,000 of aggregate coverage for each policy year. The policy 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 Health Center's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the future.

Note 7: Net Patient Service Revenue

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

Medicare. The Health Center is recognized as a CAH and is paid at one hundred one percent (101%) of allowable costs for certain inpatient and outpatient services. The Health Center is reimbursed for certain services and cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Health Center 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.

Approximately 72% and 73% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2021 and 2020, 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 Health Center has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Health Center under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Note 8: Charity Care

The costs of charity care provided under the Health Center's charity care policy were approximately $13,000 and $103,000 for 2021 and 2020, respectively. The cost of charity care is estimated by applying the ratio of gross charges to the gross uncompensated charges.

Note 9: 340B Drug Pricing Program

The Health Center participates in the 340B Drug Pricing Program (340B Program) enabling the Health Center to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Health Center recorded revenues related to the 340B Program of $3,742,272 and $2,049,181 for the years ending December 31, 2021 and 2020, respectively, which is included in other operating revenue in the accompanying statement of revenues and expenses and changes in net position. The Health Center recorded expenses related to the 340B Program of $1,951,208 and $1,095,251 for the years ending December 31, 2021 and 2020, respectively, which is included in supplies and other in the accompanying statements of revenues and expenses and changes in net position. The 340B Program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to financial statement amounts related to the 340B Program could occur in the near term.

Note 10: Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Plan Description

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

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

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

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

The Health Center's employees participate in the Local group.

Benefits Provided

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

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

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

Contributions

The law governing KPERS requires an actuary to make an annual valuation of the liabilities and reserves and a determination of the contributions required to discharge the KPERS liabilities. The actuary then recommends to the KPERS Board of Trustees the statewide employer-contribution rates required to maintain the three systems on the actuarial reserve basis. Prior to January 1, 2014, Tier 1 participants were required to contribute 4% of their annual pay. Effective January 1, 2014, the rate was raised to 5% with an increase in the benefit multiplier to 1.85% beginning January 1, 2014, for future years of service only. Effective January 1, 2015, the contribution rate was raised to 6%. Tier 2 participants are required to contribute 6% of compensation. The Health Center's contractually required contribution rate for the years ended December 31, 2021 and 2020, was 8.87% and 8.61% 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 Health Center's contributions to KPERS for the years ended December 31, 2021 and 2020, were $696,234 and $767,330, respectively.

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

At December 31, 2021 and 2020, the Health Center reported a liability of $5,084,562 and $7,157,824, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and 2020, respectively, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of December 31, 2020 and 2019, respectively, rolled forward to June 30, 2021 and 2020, respectively. The Health Center's proportion of the net pension liability was based on the ratio of the Health Center's actual contributions to total employer and nonemployer actual contributions of the group for the respective measurement periods. At June 30, 2021, the Health Center's proportion was 0.423729%, which was an increase of 0.010854% from its proportion measured as of June 30, 2020, of 0.412875%. At June 30, 2019, the proportion was 0.446557%.

For the years ended December 31, 2021 and 2020, the Health Center recognized pension expense of $307,424 and $821,977, respectively. At December 31, 2021 and 2020, the Health Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 200,699	$ 46,039
Net difference between projected and actual earnings on pension plan investments	-	-
Changes of assumptions	1,000,902	1,805,514
Changes in proportion	1,146,881	1,328,918
Health Center's contributions subsequent to the measurement date	341,211	-
Total	$ 2,689,693	$ 3,180,471

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 119,514	$ 92,023
Net difference between projected and actual earnings on pension plan investments	835,140	-
Changes of assumptions	431,139	-
Changes in proportion	1,628,467	2,088,741
Health Center's contributions subsequent to the measurement date	355,466	-
Total	$ 3,369,726	$ 2,180,764

At December 31, 2021, the Health Center reported $341,211 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2021, related to pensions will be recognized in pension expense as follows:

2022	$ (161,914)
2023	(135,216)
2024	(172,536)
2025	(403,256)
2026	40,933
	$ (831,989)

Actuarial Assumptions

The total pension liability in the December 31, 2020 and 2019, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2020	2019
Price inflation	2.75%	2.75%
Salary increases, including inflation	3.50% to 12.00%	3.25% to 11.75%
Investment rate of return, net of pension plan investment expense, including inflation	7.25%	7.50%

Mortality rates were based on the RP-2014 Healthy Annuitant Table for males or females, as appropriate with adjustments for mortality improvements based on Scale MP-16 for the December 31, 2020 and 2019, actuarial valuations.

The actuarial assumptions used in the December 31, 2020 and 2019, valuations were based on the results of an actuarial experience study for the three-year period ended December 31, 2018, respectively.

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

	2021		2020	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
U.S. equities	23.5%	5.20%	23.5%	5.20%
Non-U.S. equities	23.5%	6.40%	23.5%	6.40%
Private equity	8.0%	9.50%	8.0%	9.50%
Real estate	11.0%	4.45%	11.0%	5.05%
Yield driven	8.0%	4.70%	8.0%	4.70%
Real return	11.0%	3.25%	11.0%	3.25%
Fixed income	11.0%	1.55%	11.0%	1.55%
Short-term investments	4.0%	0.25%	4.0%	0.25%
	100%		100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.25% and 7.50% for the years ended June 30, 2021 and 2020, respectively. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the contractually required rate. Participating employer contributions do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by KPERS' Board of Trustees for these groups may not increase by more than the statutory cap. The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The Health Center's proportionate share of the net pension liability has been calculated using a discount rate of 7.25%. The following presents the Health Center's proportionate share of the net pension liability calculated using a discount rate 1% higher and 1% lower than the current rate.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Health Center's proportionate share of the net pension liability	$ 8,363,612	$ 5,084,562	$ 2,334,664

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 11: Other Postemployment Benefit Plan

Plan Description

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

Benefits Provided

The OPEB Plan provides LTD and life insurance benefits to eligible disabled members. Benefits provided are self-funded, and the full cost of the benefits is covered by the OPEB Plan. The monthly benefit is 60% of the member's monthly rate of compensation, with a minimum of $100 and a maximum of $5,000. The monthly benefit is subject to reduction by deductible sources of income, which include Social Security primary disability or retirement benefits, worker's compensation benefits, other disability benefits from any other source by reason of employment,

and earnings from any form of employment. If the disability begins before age 60, benefits are payable while disability continues until the member's 65th birthday or retirement date, whichever first occurs. If the disability occurs at or after age 60, benefits are payable while disability continues, for a period of five years or until the date of the member's retirement, whichever first occurs. Upon the death of a member who is receiving monthly disability benefits, the plan will pay a lump sum benefit to eligible beneficiaries. The benefit amount will be 150% of the greater of (a) the member's annual rate of compensation at the time of disability, or (b) the member's previous 12 months of compensation at the time of the last date on payroll. If the member had been disabled for five or more years, the annual compensation or salary rate at the time of death will be indexed before the life insurance benefit is computed. The indexing is based on the consumer price index, less one percentage point. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, he or she may be eligible to receive up to 100% of the death benefit rather than having the benefit paid to the beneficiary.

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

	2021	2020
Active employees	134	140
Disabled employees	5	6
	139	146

Total OPEB Liability

The Health Center's total OPEB liability of $259,481 and $469,056 was measured as of June 30, 2021 and 2020, for the years ended December 31, 2021 and 2020, respectively, and was determined by actuarial valuations as of December 31, 2020 and 2019, respectively, and rolled forward to June 30, 2021 and 2020, respectively.

The total OPEB liability in the December 31, 2020 and 2019, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2021	2020
Inflation	2.75%	2.75%
Discount rate	2.16%	2.21%
Salary increases, including inflation	3.50% to 10%	3.50% to 10%

The discount rate was based on the Bond Buyer General Obligation 20-Year Municipal Bond Index. The discount rate changed from 3.50% in 2019 to 2.21% in 2020 to 2.16% in 2021.

Mortality rates were based on the RP-2014 Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups, as appropriate with adjustments for mortality improvements based on MP-2021 Mortality Tables for the December 31, 2020, 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-2020 Mortality Tables for the December 31, 2019, actuarial valuation.

The actuarial assumptions used in the December 31, 2020 and 2019, valuations were based on the results of an actuarial experience study for the period January 1, 2016 – December 31, 2018, respectively.

Changes in the Total OPEB Liability

Changes in the total OPEB liability are:

	2021	2020
Balance, beginning of year	$ 469,056	$ 150,515
Changes for the year:		
Service cost	29,683	31,147
Interest	10,010	13,813
Differences between expected and actual experience	(157,606)	61,193
Changes of assumptions	392	257,967
Benefit payments	(92,054)	(45,579)
Net changes	(209,575)	318,541
Balance, end of year	$ 259,481	$ 469,056

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

The total OPEB liability of the Health Center, at December 31, 2021, has been calculated using a discount rate of 2.16%. The following presents the total OPEB liability using a discount rate 1% higher and 1% lower than the current discount rate.

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
Health Center's total OPEB liability	$ 267,019	$ 259,481	$ 251,499

The total OPEB liability of the Health Center 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, 2021 and 2020, the Health Center recognized OPEB expense of $64,026 and $84,921, respectively. At December 31, 2021 and 2020, the Health Center reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 261,686	$ 143,056
Changes of assumptions	22,186	2,547
Total	$ 283,872	$ 145,603

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 299,502	$ 1,313
Changes of assumptions	24,688	3,061
Total	$ 324,190	$ 4,374

Amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2021, related to OPEB will be recognized in OPEB expense as follows:

2022	$ 24,333
2023	24,333
2024	24,333
2025	24,333
2026	24,455
Thereafter	16,482
	$ 138,269

Note 12: COVID-19 Pandemic & *CARES Act* Funding

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

While some of these policies have eased and states have lifted moratoriums on non-emergent procedures, some restrictions remain in place, and some state and local governments are re-imposing certain restrictions due to increasing rates of COVID-19 cases.

The Health Center's pandemic response plan has multiple facets and continues to evolve as the pandemic unfolds. The Health Center has taken precautionary steps to enhance its operational and financial flexibility and react to the risks the COVID-19 pandemic presents to its business.

The extent of the COVID-19 pandemic's adverse effect on the Health Center's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Health Center's control and ability to forecast.

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

Provider Relief Fund

During the years ended December 31, 2021 and 2020, the Health Center received $1,322,867 and $4,402,951, respectively, of distributions from the *CARES Act* Provider Relief Fund. These distributions from the Provider Relief Fund are not subject to repayment, provided the Health Center is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by HHS.

The Health Center accounts for such payments as voluntary nonexchange transactions. Payments are recognized as revenue once the applicable terms and conditions to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Health Center's operating revenues and expenses through December 31, 2021 and 2020, the Health Center recognized $4,196,578 and $223,856, respectively, related to the Provider Relief Fund, and these payments are recorded as Provider Relief Funds (*CARES Act*), classified as nonoperating revenues in the accompanying statements of revenues, expenses and changes in net position. The unrecognized amount of Provider Relief Fund distributions of $1,305,384 and $4,179,095 is recorded as unearned revenue in the accompanying balance sheets for the years ended December 31, 2021 and 2020, respectively.

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

Paycheck Protection Program (PPP) Loan

During the year ended December 31, 2020, the Health Center received a PPP loan of $1,879,790 established by the *CARES Act* and has accounted for the funding as debt in accordance with GASB 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan is recognized as nonoperating revenue in the financial statements in the period the debt is legally forgiven. PPP loans are subject to audit and acceptance by the SBA, or lender; as a result of such audit, adjustment could be required to any revenue recognized. The Health Center received legal notice on November 27, 2020, that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment as nonoperating revenue in the accompanying statements of revenues and expenses and changes in net position.

Other COVID-19 Funding

During the years ended December 31, 2021 and 2020, the Coronavirus Small Rural Hospital Improvement Program provided support to small rural and Critical Access Hospitals (CAHs) which were seeing increased demands for clinical services and equipment, as well as experiencing short-term financial and workforce challenges related to responding to meeting the needs of patients with COVID-19 seeking care at their facilities. These funds were administered through the Small Rural Hospital Improvement Program (SHIP) to provide emergency funding support to CAHs and non-CAH rural hospitals with less than 50 beds. This approach provided funding directly to the states to target those rural hospitals and the communities they serve who are facing the greatest strain from this crisis. The Health Center received and recognized $63,688 and $20,000 during 2021 and 2020, respectively, related to this grant. The payment is recorded as a component of noncapital contributions in the accompanying statements of revenues, expenses and changes in net position.

In November 2021, the Health Center received $99,493 in a distribution from the Frontline Hospital Employee Retention Plan program. Funding under this program was utilized by the Health Center to retain existing clinical staff and re-hire retirees who have retired since March 1, 2020. The Health Center recognized $99,493 for the year ended December 31, 2021, and is recorded as a component of noncapital contributions in the accompanying statements of revenues, expenses and changes in net position.

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 Kansas 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 Health Center received and recognized $100,000 on April 24, 2020, related to this special emergency grant. The payment is recorded as a component of noncapital contributions in the accompanying statements of revenues, expenses and changes in net position.

During the year ended December 31, 2020, HHS provided $100 million in aid to hospitals and health care systems in preparing for a surge in COVID-19 patients. Of that funding, $50 million was allotted to State Hospitals Associations for distribution through competitive grant applications. KHA received $784,542 in funds, which were distributed on May 1. In addition, KHA was awarded an additional $1.95 million to be distributed in the future. The Health Center received and recognized $3,000 during 2020, related to this Assistant Secretary for Preparedness and Response (ASPR) grant. The payment is recorded as a component of noncapital contributions in the accompanying statements of revenues, expenses and changes in net position.

Note 13: 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 Health Center. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Note 14: Future Change in Accounting Principle

Leases

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 Health Center is evaluating the impact the statement will have on the financial statements.

Required Supplementary Information

Hospital District No. 6 of Harper County, Kansas
d/b/a Patterson Health Center
Schedule of the Health Center's Proportionate Share of the Net Pension Liability
Kansas Public Employees Retirement System Plan
Last Ten Fiscal Years

	2021 *	2020 *	2019 *	2018 *	2017 *
Health Center's proportion of the net pension liability	0.423729%	0.412875%	0.446557%	0.446508%	0.449586%
Health Center's proportionate share of the net pension liability	$ 5,084,562	$ 7,157,824	$ 6,240,064	$ 6,223,384	$ 6,512,053
Health Center's covered employee payroll	$ 8,131,030	$ 7,684,784	$ 8,125,172	$ 7,747,395	$ 7,841,972
Health Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	62.53%	93.14%	76.80%	80.33%	83.04%
Plan fiduciary net position as a percentage of the total pension liability	76.40%	66.30%	69.88%	68.88%	67.12%

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 the calendar year).

2016 *	2015 *	2014 *
0.226511%	0.230406%	0.220926%
$ 3,504,192	$ 3,025,332	$ 2,719,186
$ 3,948,785	$ 3,812,145	$ 3,638,694
88.74%	79.36%	74.73%
65.10%	64.95%	66.60%

Hospital District No. 6 of Harper County, Kansas
d/b/a Patterson Health Center
Schedule of the Health Center's Pension Contributions
Kansas Public Employees Retirement System Plan
Last Ten Fiscal Years

	2021 *	2020 *	2019 *	2018 *	2017 *
Contractually required contribution	$ 696,234	$ 767,330	$ 794,641	$ 735,733	$ 651,880
Contribution in relation to the contractually required contribution	696,234	767,330	794,641	735,733	651,880
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Health Center's covered-employee payroll	$ 7,849,312	$ 7,984,698	$ 8,034,795	$ 7,835,308	$ 7,025,219
Contributions as a percentage of covered-employee payroll	8.87%	9.61%	9.89%	9.39%	9.28%

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).

2016 *	2015 *	2014 *
$ 337,098	$ 391,618	$ 332,040
337,098	391,618	332,040
$ -	$ -	$ -
$ 3,828,710	$ 4,066,127	$ 3,678,008
8.80%	9.63%	9.03%

Hospital District No. 6 of Harper County, Kansas
d/b/a Patterson Health Center
Schedule of Changes in the Health Center's Total OPEB Liability and Related Ratios
Last Ten Fiscal Years

	2021 *	2020 *	2019 *
Total OPEB Liability			
Service cost	$ 29,683	$ 31,147	$ 28,859
Interest	10,010	13,813	7,047
Differences between expected and actual experience	(157,606)	61,193	(14,313)
Changes in assumptions	392	257,967	(308,407)
Benefit payments	(92,054)	(45,579)	(50,671)
Net Change in Total OPEB Liability	(209,575)	318,541	(337,485)
Health Center's Total OPEB Liability - Beginning	469,056	150,515	488,000
Health Center's Total OPEB Liability - Ending	$ 259,481	$ 469,056	$ 150,515
Health Center's Covered-employee Payroll	$ 7,313,883	$ 7,101,931	$ 7,661,795
Health Center's Total OPEB Liability as a Percentage of Covered-employee Payroll	3.55%	6.60%	1.96%
Changes of Assumptions:			
Discount rate	2.16%	2.21%	3.50%

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

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

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

2018 *	2017 *
$ 29,115	$ 29,520
17,442	14,962
19,210	-
(5,792)	(15,709)
(59,629)	(72,723)
346	(43,950)
487,654	531,604
$ 488,000	$ 487,654
$ 7,658,048	$ 7,290,101
6.37%	6.69%
3.87%	3.58%

Supplementary Information

Hospital District No. 6 of Harper County, Kansas
d/b/a Patterson Health Center
Comparison of Revenues and Expenses (Cash Basis) – Actual and Tax Budget
Year Ended December 2021

	Actual	Budget	Over (Under)
Net patient service revenue	$ 15,350,155	$ 15,376,500	$ (26,345)
Other	1,259,069	2,333,610	(1,074,541)
Total revenue	16,609,224	17,710,110	(1,100,886)
Operating expenses, less depreciation and amortization including interest expense	20,280,662	20,987,285	(706,623)
Operating loss before tax support	$ (3,671,438)	$ (3,277,175)	$ (394,263)