

# Satanta Hospital District

## Report to the Board of Trustees and Management

For the Year Ended December 31, 2021

Results of the 2021 financial statement audit, selected ratios and other required communications.

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May 24, 2022

Board of Trustees  
Satanta Hospital District  
Satanta, Kansas

We have completed our audit of the financial statements of Satanta Hospital District (Hospital) as of and for the year ended December 31, 2021. This report includes communication required under auditing standards generally accepted in the United States of America as well as other matters.

Our audit plan represented an approach responsive to the assessment of risk of material misstatement in financial reporting for the Hospital. Specifically, auditing standards require us to:

- Express an opinion on the December 31, 2021, financial statements of the Hospital.
- The Key Operating Indicators and Ratios listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.
- Issue communications required under auditing standards generally accepted in the United States of America to assist those charged with governance in overseeing management's financial reporting and disclosure process.
- Issue a report on internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*. This report will be supplied at a later date, prior to September 30, 2022.
- Issue a report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance. This report will be supplied at a later date, prior to September 30, 2022.

This report also presents an overview of areas of audit emphasis, as well as other matters for the health care environment.

This communication is intended solely for the information and use of management, the Board of Trustees and others within the Hospital and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*BKD, LLP*



## Summary of Our Audit Approach & Results

### Our Approach

BKD's audit approach focuses on areas of higher risk – the unique characteristics of the Hospital's operating environment, the design effectiveness of your internal controls and your financial statement amounts and disclosures. The objective is to express an opinion on the conformity of your financial statements, in all material respects, with accounting principles generally accepted in the United States of America.

### Areas of Audit Emphasis

The principal areas of audit emphasis and results were as follows:

Risk Area	Results
➡ <i>Management override of controls</i> – The risk that management may override existing and functioning accounting controls is an inherent risk to the Hospital.	➡ No matters are reportable.
➡ <i>Revenue recognition</i> – The risk that management may record revenue in the incorrect period.	➡ See <b>Opinion &amp; Reconciliation of Changes in Net Position</b> section.
➡ <i>Management estimates</i> – Estimates and judgments made by management materially impact financial statement amounts. The following financial statement areas include material estimates made by management: <ul style="list-style-type: none"><li>• Allowances for contractual adjustments and uncollectible accounts</li><li>• Estimated amounts due from and to third-party payers</li><li>• Professional liability claims</li></ul>	➡ See <b>Opinion &amp; Reconciliation of Changes in Net Position</b> section.

Risk Area	Results
<p>➡ Current economic environment – Legislation was enacted by the United States Congress to respond to the overall effect of the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19). The legislation is unprecedented in scale and scope and includes the following bills:</p> <ul style="list-style-type: none"> <li>○ <i>Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020</i></li> <li>○ <i>Families First Coronavirus Response Act, 2020</i></li> <li>○ <i>Coronavirus Aid, Relief and Economic Security Act (CARES Act), 2020</i></li> <li>○ <i>Consolidated Appropriations Act, 2021</i></li> <li>○ <i>Continuing Appropriations Act, 2021 and Other Extensions Act</i></li> </ul> <p>The passage of these laws had a wide sweeping effect on all businesses but especially to health care organizations, as they address the impact to their business in treating residents impacted by the COVID-19 pandemic and its impact on their business in treating residents not directly infected with COVID-19.</p>	<p>➡ The Hospital is a recipient of distributions from the Provider Relief Fund established by the <i>CARES Act</i>. The Hospital attested to the terms and conditions upon receipt of the funding, including the requirement to demonstrate that funds received have been used for health care-related expenses or lost revenue attributable to the coronavirus as defined in the <i>CARES Act</i>. Based on guidance issued by the U.S. Department of Health and Human Services (HHS) as of December 31, 2021, management recognized revenue from the Provider Relief Fund based on expenses attributable to the coronavirus that another source has not reimbursed and is not obligated to reimburse and lost revenues, as defined by the “Post-Payment Notice of Reporting Requirements” guidance issued by HHS on June 11, 2021, and the Frequently Asked Questions issued by HHS as of December 31, 2021.</p> <p>➡ Based on current guidance, it was determined that the Hospital did meet the Single Audit threshold requirement of greater than \$750,000 related to the amount of Federal funding recognized during the Period of Availability applicable to Period 1. Period 1 represents all Provider Relief Funds received for the period of April 10, 2020 to June 30, 2020 and expended from January 1, 2020 through June 30, 2021, including lost revenues. Management acknowledges that future guidance published by the Office of Management and Budget (OMB) regarding the compliance of this federal program may lead to different reporting between the financial statements and the Schedule of Expenditures of Federal Awards.</p> <p>➡ The Single Audit will be performed at a later date. The Single Audit is due to the Federal Clearinghouse by September 30, 2022, (9 months after year-end).</p>

## Significant Estimates

The preparation of the financial statements requires considerable judgment because some assets, liabilities, revenues and expenses are “estimated” based on management’s assumptions about future outcomes. Other estimates may be dependent on assumptions related to economic or environmental conditions, regulatory reform or changes in industry trends.

Some estimates are inherently more difficult to evaluate and highly susceptible to variation because the assumptions relating to future outcomes have a higher degree of uncertainty. To the extent future outcomes are different than expected, management’s estimates are adjusted in future periods, sometimes having a significant effect on subsequent period financial statements. The following are considered to be significant estimates for the Hospital:

- **Allowance for Contractual Adjustments (Third-party Reimbursement)** – Net operating revenues include management’s estimates of amounts to be reimbursed by third parties. Amounts received for patient billings are generally less than amounts billed. The difference between what is billed and expected to be received is recorded through contractual adjustments. Management’s process of estimating amounts to be received from third parties requires estimation based on payer classification, historical data and payer contract provisions. Estimates of third-party reimbursements also include management assumptions about uncertainties in health care reform, payer mix and state of the economy.
- **Allowance for Uncollectible Accounts** – Primary collection risks related to patient accounts receivable include uninsured patients and patient balances where the insurance payer did not pay the entire balance. Management’s estimate for allowance for uncollectible accounts is based on historical collection, payer mix and anticipated trends. Similar to third-party reimbursements, management assumptions about the economy and types of payers affect the estimation of allowance for uncollectible accounts.
- **Estimated Amounts Due From and To Third-Party Payers** – The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital. Management estimates the settlement to be made from/to the Medicare program for all open cost report years.
- **Professional Liability Claims** – Professional liability claims are based on estimates of known claims and estimates for incurred but not reported claims. Management estimates the liability based on specific claim facts, historical claim reporting and actuarial assumptions. In addition to the liability, management records a receivable for the amount expected to be reimbursed by excess insurance.



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## Opinion & Reconciliation of Changes in Net Position

### Unmodified, or “Clean,” Opinion Issued on Financial Statements

We have issued an unmodified opinion as to whether the financial statements of the Hospital, as of and for the year ended December 31, 2021, included at *Tab 1*, are fairly presented, in all material respects. Several adjustments were proposed by us and by management during the course of the audit. A summary of adjustments impacting the change in net position is presented below:

Change in net position, as internally reported	\$ 2,980,480
Adjustments	
Management proposed entries	
Inventory	20,073
Noncapital contributions	12,400
Unearned revenue	(594)
Estimated amounts due to third-party payers	(355,000)
Entries outsourced to BKD	
Provider Relief Funds ( <i>CARES Act</i> )	213,716
Audit adjustments	
Health insurance accrued liability	<u>(17,662)</u>
Change in net position, per audited financial statements	<u>\$ 2,853,413</u>

We also proposed adjustments that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole. A schedule of these unrecorded adjustments is located at *Tab 2*.



## Key Operating Indicators and Ratios

	BKD KS CAH Average	GPHA Average	2021	2020	2019	2021-2020 % Change	2020-2019 % Change
<b><u>Liquidity Ratios:</u></b>							
Days cash on hand - current	176	181	56	259	64	-78%	307%
Days cash on hand - all sources	220	218	61	261	65	-77%	300%
Days revenue in patient accounts receivable, net	55	51	91	80	51	14%	57%
Current ratio	2.03	1.70	3.89	2.19	4.57	77%	-52%
Average payment period of accounts payable	27	22	27	40	21	-32%	89%
<b><u>Capital/Debt Ratios:</u></b>							
Average age of plant	16	16	17	20	19	-16%	5%
Long-term debt to capitalization	47%	57%	13%	2%	9%	11%	-7%
<b><u>Operating and Performance Ratios:</u></b>							
Contractual adjustments as a % of gross patient revenue	7%	0%	1%	-1%	-4%	3%	2%
Charity care as a % of gross patient revenue	0%	0%	3%	1%	1%	2%	0%
Provision for uncollectible accounts as a % of gross patient revenue	2%	2%	3%	6%	4%	-2%	2%
Net patient revenue as a % of gross patient revenue	91%	102%	92%	94%	99%	-2%	-5%
Patient days							
Acute	601	524	327	311	226	5%	38%
Swing-bed	2,471	3,026	877	960	436	-9%	120%
Long-term care			13,506	14,107	14,023	-4%	1%
RHC			6,622	5,514	7,695	20%	-28%
Salaries and wages as a % of total of operating expenses	44%	45%	49%	51%	50%	-2%	1%
Salaries and wages as a % of net patient revenue (labor ratio)	55%	58%	74%	79%	76%	-5%	3%
Full-time equivalents	116	95	123	130	129	-5%	1%
Patient service revenue per full-time equivalent	\$ 162,160	\$ 97,699	\$ 84,554	\$ 69,650	\$ 67,540	21%	3%
Salaries and wages per full-time equivalent	\$ 57,929	\$ 55,883	\$ 62,698	\$ 55,167	\$ 51,421	14%	7%
Operating margin	-15%	-15%	-28%	-30%	-26%	1%	-3%
Operating margin before depreciation expense	-8%	-9%	-22%	-24%	-20%	2%	-4%
Total margin	8%	9%	15%	13%	0%	3%	13%
Total margin before depreciation expense	13%	13%	20%	17%	5%	3%	12%
Tax support	6%	6%	10%	17%	20%	-7%	-3%



## Required Communications

Generally accepted auditing standards require the auditor to provide to those charged with governance additional information regarding the scope and results of the audit that may assist you in overseeing management's financial reporting and disclosure process. Below, we summarize these required communications.

### **Auditor's Responsibilities Under Auditing Standards Generally Accepted in the United States of America (GAAS) and the Standards Applicable to Financial Audits Contained in *Government Auditing Standards* Issued by the Comptroller General of the United States and U.S. Office of Management and Budget (OMB) Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)**

An audit performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and U.S. Office of Management and Budget (OMB) Uniform Guidance is designed to obtain reasonable, rather than absolute, assurance about the financial statements and about whether noncompliance with the types of compliance requirements described in OMB Compliance Supplement that could have a direct and material effect on a major federal program occurred. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement audit that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this communication or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

An audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.

Area	Comments
<b>Significant Accounting Policies</b>  Significant accounting policies are described in <i>Note 1</i> of the financial statements.	➡ There are no unusual accounting policies or accounting methods used by the Hospital.
<b>Alternative Accounting Treatments</b>	➡ No matters are reportable.

Area	Comments
<p><b>Management Judgments &amp; Accounting Estimates</b></p> <p>Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. Areas involving significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates are listed in the adjacent comments section.</p>	<p>➡ See <b>Significant Estimates</b> section.</p>
<p><b>Financial Statement Disclosures</b></p> <p>The areas listed in the adjacent comments section involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures.</p>	<p>➡ Charity care</p> <p>➡ GPHA Employee Benefits Trust</p> <p>➡ COVID-19 pandemic and <i>CARES Act</i> funding</p> <p>➡ Subsequent events.</p> <p>➡ Future change in accounting principle (GASB 87, <i>Leases</i>).</p>
<p><b>Audit Adjustments</b></p> <p>During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments that, in its judgment, are required to prevent the financial statements from being materially misstated. Some adjustments proposed were not recorded because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.</p>	<p><u>Proposed Audit Adjustments Recorded</u></p> <p>➡ See <b>Opinion &amp; Reconciliation of Changes in Net Position</b> section.</p> <p><u>Proposed Audit Adjustments Not Recorded</u></p> <p><i>Tab 2</i> contains a summary of unrecorded adjustments we aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole.</p>
<p><b>Auditor's Judgments About the Quality of the Hospital's Accounting Policies</b></p>	<p>➡ No matters are reportable.</p>
<p><b>Disagreements with Management</b></p>	<p>➡ No matters are reportable.</p>
<p><b>Consultation with Other Accountants</b></p>	<p>➡ No matters are reportable.</p>

Area	Comments
<b>Significant Issues Discussed with Management Prior to Retention and During the Audit Process</b>	<ul style="list-style-type: none"><li>➤ Additional Provider Relief Funds received related to the American Rescue Plan (ARP) and Phase 4.</li><li>➤ Other COVID-19 funding received.</li><li>➤ Recoupment of advances from Medicare.</li><li>➤ Future impact of new lease standard on the financial statements (GASB 87, <i>Leases</i>).</li><li>➤ Subsequent financial impact of the COVID-19 pandemic.</li></ul>
<b>Difficulties Encountered in Performing the Audit</b>	<ul style="list-style-type: none"><li>➤ No matters are reportable.</li></ul>

### Other Material Communications

Other material communications between management and us related to the audit include:

- Management representation letter (*Tab 2*)
- Engagement letter
- We orally communicated to management other deficiencies in internal control identified during our audit that are not considered material weaknesses or significant deficiencies

## Other Matters

### **GASB Issues New Lease Standard**

Government 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, which for the Hospital will be January 1, 2022. 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.

### **Benefits of a Security Risk Assessment**

Researchers at Comparitech reviewed ransomware attacks on U.S. health care organizations in 2020 and noted they cost the industry an estimated \$21 billion. Another study released by the U.S. Department of Health & Human Services Office for Civil Rights in December 2020 noted 94% of covered entities and 88% of business associates failed to take sufficient steps to reduce risks and vulnerabilities to a reasonable and appropriate level. As staggering as these statistics are, there are numerous ways for health care providers to combat this. One keystone to managing risk as a health care provider is through a security risk analysis.

#### Why You Need a Security Risk Assessment

1. HIPAA Requires It

HIPAA requires a risk analysis but does not state how often to conduct one; however, a health care provider needs to have a clear and fresh picture of its risk landscape. A good practice is to perform one at least annually. With a recently documented risk analysis and supporting policies and procedures addressing identified risks, you reduce the likelihood of getting fines from a HIPAA audit.

2. Security Measures Will Be Strengthened

A common theme for both noncompliance audit violations and breaches is the lack of a risk analysis. Without it, a health care provider cannot properly identify the risks to the organization's data. A risk analysis can help identify and mitigate risks that bad actors would have used to breach your systems and data.



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### How to Get Started with a Security Risk Analysis

Here are some initial thoughts to consider:

- How often do you perform a security risk analysis?
- Who needs to be involved in the security risk assessment?
- How well does your risk management plan address risks identified?

If you don't know where to start or are not ready to seek professional help, [www.healthit.gov](http://www.healthit.gov) provides a Security Risk Assessment Tool that meets regulatory compliance. You can also learn about the federal government's effort to support interoperable, private and secure nationwide health information technology (health IT) systems.

### **Interim Medicare Cost Reports**

As a Critical Access Hospital (CAH) it is important to review Medicare payments and monitor costs and volumes to avoid any significant over or under payments at year-end. Due to the increase in costs and decrease in volumes for many healthcare facilities over the last few years, interim payment rates have been higher than normal which could potentially cause cash flow issues if costs and volumes are not monitored. Several factors that may affect interim and final Medicare reimbursement are new and/or eliminated services, payer mix changes, interim rates and volume.

We recommend the Hospital prepare an interim cost report once or twice a year to verify payment rates are in line with current costs, days, and charges. Preparing an interim cost report also allows time to request any applicable rate changes, request lump sum adjustments and request changes in cost allocation statistics with the Medicare intermediary as necessary.

\* \* \*

This communication is intended solely for the information and use of management, the Board of Trustees and others within the Hospital and is not intended to be and should not be used by anyone other than these specified parties.

*BKD, LLP*

Wichita, Kansas  
May 24, 2022

**TAB 1**

# **Satanta Hospital District**

Independent Auditor's Report and Financial Statements

December 31, 2021 and 2020

# Satanta Hospital District

## December 31, 2021 and 2020

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## Independent Auditor's Report

Board of Trustees  
Satanta Hospital District  
Satanta, Kansas

### ***Opinion***

We have audited the accompanying financial statements of Satanta Hospital District as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise Satanta Hospital District'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 Satanta Hospital District 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 Satanta Hospital District 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 Satanta Hospital District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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 Satanta Hospital District'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 Satanta Hospital District'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***

Management has omitted 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 opinions on the basic financial statements are not affected by this missing information.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Satanta Hospital District's basic financial statements. The comparison of revenues and expenses (cash basis) – actual and tax budget is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the comparison of revenues and expenses (cash basis) – actual and tax budget is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*BKD, LLP*

Wichita, Kansas  
May 24, 2022

**Satanta Hospital District**  
**Balance Sheets**  
**December 31, 2021 and 2020**

**Assets**

	<u>2021</u>	<u>2020</u>
<b>Current Assets</b>		
Cash	\$ 2,267,311	\$ 9,482,076
Restricted cash	200,167	63,852
Patient accounts receivable, net of allowance; 2021 – \$597,142, 2020 – \$600,758	2,602,154	1,982,407
Property taxes receivable	1,793,792	1,668,788
Supplies	438,639	455,538
Prepaid expenses and other	234,865	165,671
Grant receivable	<u>215,621</u>	<u>-</u>
Total current assets	<u>7,752,549</u>	<u>13,818,332</u>
 <b>Capital Assets, Net</b>	 <u>10,276,972</u>	 <u>5,218,990</u>
Total assets	<u><u>\$ 18,029,521</u></u>	<u><u>\$ 19,037,322</u></u>

## Liabilities, Deferred Inflows of Resources and Net Position

	2021	2020
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 243,778	\$ 125,144
Accounts payable	401,087	509,148
Accrued salaries and wages and related deductions	441,224	412,011
Accrued vacation	340,456	390,776
Estimated amounts due to third-party payers	365,560	692,723
Unearned revenue	201,905	3,667,961
Advance from Medicare	-	509,061
Total current liabilities	1,994,010	6,306,824
<b>Advance from Medicare</b>	-	1,287,626
<b>Long-term Debt</b>	1,698,712	84,490
Total liabilities	3,692,722	7,678,940
<b>Deferred Inflows of Resources</b>		
Unearned revenue - current property taxes	1,793,792	1,668,788
<b>Net Position</b>		
Net investment in capital assets	8,334,482	5,009,356
Restricted - expendable for		
Capital acquisitions	33,798	23,843
Employee activities	644	1,258
Grant activities	145,199	18,235
Scholarships	526	516
Nonexpendable permanent endowments	20,000	20,000
Unrestricted	4,008,358	4,616,386
Total net position	12,543,007	9,689,594
Total liabilities, deferred inflows of resources and net position	\$ 18,029,521	\$ 19,037,322

**Satanta Hospital District**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended December 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Operating Revenues</b>		
Net patient service revenue	\$ 10,400,083	\$ 9,054,523
Retail pharmacy	1,571,594	1,463,259
Independent living	98,924	205,044
Other	93,795	75,546
	<u>12,164,396</u>	<u>10,798,372</u>
<b>Operating Expenses</b>		
Salaries and wages	7,711,868	7,171,724
Employee benefits	1,649,725	1,486,112
Supplies and other	5,458,310	4,703,532
Depreciation	778,777	627,985
	<u>15,598,680</u>	<u>13,989,353</u>
	<u>(3,434,284)</u>	<u>(3,190,981)</u>
<b>Operating Loss</b>		
<b>Nonoperating Revenues (Expenses)</b>		
Property taxes	1,846,878	2,705,493
Interest income	8,178	13,359
Interest expense	(16,623)	(13,553)
Noncapital grants and gifts	781,476	243,127
Provider Relief Funds ( <i>CARES Act</i> )	3,667,788	736,341
Paycheck Protection Program (PPP) loan forgiveness	-	1,482,100
	<u>6,287,697</u>	<u>5,166,867</u>
<b>Excess of Revenues Over Expenses Before Capital Grants and Gifts</b>	2,853,413	1,975,886
<b>Capital Grants and Gifts</b>	<u>-</u>	<u>100,080</u>
<b>Increase in Net Position</b>	2,853,413	2,075,966
<b>Net Position, Beginning of Year</b>	<u>9,689,594</u>	<u>7,613,628</u>
<b>Net Position, End of Year</b>	<u><u>\$ 12,543,007</u></u>	<u><u>\$ 9,689,594</u></u>

**Satanta Hospital District**  
**Statements of Cash Flows**  
**Years Ended December 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Cash Flows From Operating Activities</b>		
Receipts from and on behalf of patients	\$ 7,656,486	\$ 10,922,941
Payments to suppliers	(7,254,065)	(6,053,695)
Payments to employees	(7,732,975)	(7,045,694)
Other receipts (payments), net	<u>(1,701,743)</u>	<u>5,411,810</u>
Net cash provided by (used in) operating activities	<u>(9,032,297)</u>	<u>3,235,362</u>
<b>Cash Flows From Noncapital Financing Activities</b>		
Property taxes supporting operations	1,830,610	2,315,810
Noncapital grants and gifts	781,476	243,127
Provider Relief Funds ( <i>CARES Act</i> )	3,452,167	736,341
Proceeds from issuance of PPP loan	<u>-</u>	<u>1,482,100</u>
Net cash provided by noncapital financing activities	<u>6,064,253</u>	<u>4,777,378</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Capital grants and gifts	-	100,080
Principal paid on long-term debt	(151,852)	(528,451)
Interest payments on long-term debt	(16,623)	(18,314)
Property taxes to retire debt and acquisitions of capital assets	16,268	389,683
Purchase of capital assets	<u>(3,966,377)</u>	<u>(683,763)</u>
Net cash used in capital and related financing activities	<u>(4,118,584)</u>	<u>(740,765)</u>
<b>Cash Flows From Investing Activities</b>		
Interest income	<u>8,178</u>	<u>13,359</u>
Net cash provided by investing activities	<u>8,178</u>	<u>13,359</u>
<b>Increase (Decrease) in Cash</b>	<u>(7,078,450)</u>	<u>7,285,334</u>
<b>Cash, Beginning of Year</b>	<u>9,545,928</u>	<u>2,260,594</u>
<b>Cash, End of Year</b>	<u><u>\$ 2,467,478</u></u>	<u><u>\$ 9,545,928</u></u>
<b>Reconciliation of Cash to the Balance Sheets</b>		
Cash in current assets	\$ 2,267,311	\$ 9,482,076
Restricted cash in current assets	<u>200,167</u>	<u>63,852</u>
Total cash	<u><u>\$ 2,467,478</u></u>	<u><u>\$ 9,545,928</u></u>

**Satanta Hospital District**  
**Statements of Cash Flows (Continued)**  
**Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Reconciliation of Operating Loss to Net Cash</b>		
<b>Provided by (Used in) Operating Activities</b>		
Operating loss	\$ (3,434,284)	\$ (3,190,981)
Depreciation	778,777	627,985
Loss on disposal of capital assets	-	12,498
Provision for uncollectible accounts	356,610	539,815
Changes in operating assets and liabilities		
Patient accounts receivable	(976,357)	(1,305,930)
Estimated amounts due from and to third-party payers	(327,163)	837,846
Other assets	(52,295)	(30,807)
Accounts payable and accrued expenses	(114,842)	280,288
Unearned revenue	(3,466,056)	3,667,961
Advance from Medicare	(1,796,687)	1,796,687
	<u>(9,032,297)</u>	<u>3,235,362</u>
Net cash provided by (used in) operating activities	<u>\$ (9,032,297)</u>	<u>\$ 3,235,362</u>
<b>Noncash Investing, Capital and Financing Activities</b>		
PPP loan forgiveness	\$ -	\$ 1,482,100
Capital asset purchases in accounts payable	\$ 76,785	\$ 91,111
Capital lease obligations incurred for capital assets	\$ 1,884,708	\$ -



# **Satanta Hospital District**

## **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***

The Satanta Hospital District (the Hospital) is a tax-levying municipality which operates as the Satanta District Hospital located in Satanta, Kansas. The Hospital is a health care facility organized as a district hospital pursuant to K.S.A. 80-2502 and includes the operation of the hospital and long-term care unit, Satanta clinic and Sublette clinic. They are operated from facilities owned or leased by the Satanta Hospital District.

##### ***Basis of Accounting and Presentation***

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

##### ***Use of Estimates***

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

##### ***Cash Equivalents***

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. There are no cash equivalents at December 31, 2021 and 2020.

##### ***Budgetary Principles***

The Hospital is required by state statutes to adopt an annual budget for the unrestricted funds on or before August 25 for the ensuing year. The Hospital's Board of Trustees 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 expenditures of the fund which is prepared on a calendar year basis.

# Satanta Hospital District

## Notes to Financial Statements

### December 31, 2021 and 2020

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 unrestricted funds, representing purchase orders, contracts and other commitments, are reported as a charge to the current budget year. All unencumbered appropriations lapse at the end of the year.

#### ***Property Taxes***

The Hospital received approximately 10% and 17% of its financial support from property taxes in 2021 and 2020, respectively. These funds were used as follows:

	<b>2021</b>	<b>2020</b>
Percentage used to support operations	99%	86%
Percentage used for debt service	1%	14%
	<u>100%</u>	<u>100%</u>

Property taxes are levied in November of one year and are received beginning in January of the following year. Property tax revenue is recognized in full in the year following the year the taxes are levied, which is the year in which use is first permitted.

#### ***Risk Management***

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

#### ***Patient Accounts Receivable***

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

#### ***Supplies***

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

# Satanta Hospital District

## Notes to Financial Statements

### December 31, 2021 and 2020

#### **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 Hospital:

Land improvements	5-20 years
Buildings	5-40 years
Fixed equipment	5-20 years
Moveable equipment	5-20 years

#### **Capital Asset Impairment**

The Hospital evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. No asset impairment was recognized during the years ended December 31, 2021 and 2020.

#### **Compensated Absences**

Hospital policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the 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.

#### **Paycheck Protection Program (PPP) Loan**

In 2020, the Hospital 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 Hospital received legal notice on November 24, 2020, that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment as other nonoperating revenue on the accompanying statements of revenues, expenses and changes in net position.

# **Satanta Hospital District**

## **Notes to Financial Statements**

### **December 31, 2021 and 2020**

#### ***Deferred Inflows of Resources***

The Hospital reports decreases in net position that relate to future periods as deferred inflows of resources in a separate section of its balance sheets. Deferred inflows of resources consist of property taxes levied for use in future periods.

#### ***Net Position***

Net position of the Hospital is classified in four 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.
- Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Hospital.
- Restricted nonexpendable net position consists of noncapital assets that are required to be maintained in perpetuity as specified by parties external to the Hospital, such as permanent endowments.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position. Included in unrestricted net position is Board designated funds set aside for capital acquisitions over which the Board retains control and may, at its discretion, subsequently use for other purposes.

#### ***Net Patient Service Revenue***

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

#### ***Charity Care***

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

# **Satanta Hospital District**

## **Notes to Financial Statements**

### **December 31, 2021 and 2020**

#### ***Provider Relief Funds (CARES Act)***

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

#### ***Income Taxes***

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

#### **Note 2: Deposits**

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

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

At December 31, 2021 and 2020, respectively, none of the Hospital's bank balances of \$2,694,350 and \$9,789,292 were exposed to custodial credit risk.

**Satanta Hospital District**  
**Notes to Financial Statements**  
**December 31, 2021 and 2020**

**Summary of Carrying Values**

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

	<b>2021</b>	<b>2020</b>
Carrying value		
Deposits	\$ 2,464,828	\$ 9,543,278
Petty cash	2,650	2,650
	<u>\$ 2,467,478</u>	<u>\$ 9,545,928</u>
Included in the following balance sheet captions		
Cash	\$ 2,267,311	\$ 9,482,076
Restricted cash	200,167	63,852
	<u>\$ 2,467,478</u>	<u>\$ 9,545,928</u>

**Note 3: Patient Accounts Receivable**

The Hospital grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at December 31 consisted of:

	<b>2021</b>	<b>2020</b>
Medicare	\$ 1,450,137	\$ 1,266,276
Medicaid	76,811	32,976
Blue Cross	353,642	244,208
Other third-party payers	514,958	215,296
Patients	803,748	824,409
	<u>3,199,296</u>	<u>2,583,165</u>
Less allowance for uncollectible accounts	<u>(597,142)</u>	<u>(600,758)</u>
	<u>\$ 2,602,154</u>	<u>\$ 1,982,407</u>

**Satanta Hospital District**  
**Notes to Financial Statements**  
**December 31, 2021 and 2020**

**Note 4: Capital Assets**

Capital assets activity for the years ended December 31 was:

	2021				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Land	\$ 185,886	\$ -	\$ -	\$ -	\$ 185,886
Land improvements	339,056	66,946	-	-	406,002
Buildings	12,022,390	194,250	(14,724)	-	12,201,916
Fixed equipment	2,190,419	484,012	-	-	2,674,431
Major moveable equipment	2,945,609	604,542	(167,796)	-	3,382,355
Construction in progress	-	4,487,009	-	-	4,487,009
	<u>17,683,360</u>	<u>5,836,759</u>	<u>(182,520)</u>	<u>-</u>	<u>23,337,599</u>
Less accumulated depreciation					
Land improvements	251,041	18,960	-	-	270,001
Buildings	8,532,507	355,458	(14,724)	-	8,873,241
Fixed equipment	1,700,853	84,877	-	-	1,785,730
Major moveable equipment	1,979,969	319,482	(167,796)	-	2,131,655
	<u>12,464,370</u>	<u>778,777</u>	<u>(182,520)</u>	<u>-</u>	<u>13,060,627</u>
Capital Assets, Net	<u>\$ 5,218,990</u>	<u>\$ 5,057,982</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,276,972</u>

  

	2020				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Land	\$ 185,886	\$ -	\$ -	\$ -	\$ 185,886
Land improvements	339,056	-	-	-	339,056
Buildings	11,997,991	40,020	(15,621)	-	12,022,390
Fixed equipment	2,228,299	93,594	(131,474)	-	2,190,419
Major moveable equipment	2,419,255	641,260	(114,906)	-	2,945,609
	<u>17,170,487</u>	<u>774,874</u>	<u>(262,001)</u>	<u>-</u>	<u>17,683,360</u>
Less accumulated depreciation					
Land improvements	231,804	19,237	-	-	251,041
Buildings	8,181,735	364,570	(13,798)	-	8,532,507
Fixed equipment	1,777,027	55,300	(131,474)	-	1,700,853
Major moveable equipment	1,895,322	188,878	(104,231)	-	1,979,969
	<u>12,085,888</u>	<u>627,985</u>	<u>(249,503)</u>	<u>-</u>	<u>12,464,370</u>
Capital Assets, Net	<u>\$ 5,084,599</u>	<u>\$ 146,889</u>	<u>\$ (12,498)</u>	<u>\$ -</u>	<u>\$ 5,218,990</u>

# Satanta Hospital District

## Notes to Financial Statements

### December 31, 2021 and 2020

In 2021, the Hospital began an estimated \$4,253,000 HVAC project and has a general contractor and architect firm in place. Construction is ongoing for this multi-year project and is expected to be completed in 2022.

#### Note 5: Medical Malpractice Coverage and Claims

The Hospital 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 Hospital's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the future.

#### Note 6: Long-term Obligations

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

2021						
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	Long-term Portion
Capital lease obligations	\$ 209,634	\$ 1,884,708	\$ 151,852	\$ 1,942,490	\$ 243,778	\$ 1,698,712
	<u>\$ 209,634</u>	<u>\$ 1,884,708</u>	<u>\$ 151,852</u>	<u>\$ 1,942,490</u>	<u>\$ 243,778</u>	<u>\$ 1,698,712</u>
2020						
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	Long-term Portion
General obligation bonds	\$ 410,000	\$ -	\$ 410,000	\$ -	\$ -	\$ -
PPP loan	-	1,482,100	1,482,100	-	-	-
Capital lease obligations	326,623	-	116,989	209,634	125,144	84,490
Plus bond premium	1,462	-	1,462	-	-	-
	<u>\$ 738,085</u>	<u>\$ 1,482,100</u>	<u>\$ 2,010,551</u>	<u>\$ 209,634</u>	<u>\$ 125,144</u>	<u>\$ 84,490</u>



# Satanta Hospital District

## Notes to Financial Statements

### December 31, 2021 and 2020

#### **General Obligation Bonds**

The General Obligation Bonds payable consist of Satanta Hospital District General Obligation Bonds Series 2010A and Satanta Hospital District General Obligation Bonds Series 2011.

The Series 2010A general obligation bonds are direct obligations of the Hospital in the original amount of \$2,000,000 dated October 7, 2010, which bear interest at 2.0% to 3.5%. The bonds are payable in annual installments of principal with semiannual interest payments through September 1, 2020.

The Series 2011 general obligation bonds are direct obligations of the Hospital in the original amount of \$1,500,000 dated March 9, 2011, which bear interest at 3.0% to 4.0%. The bonds were paid in full as of September 1, 2020.

#### **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 hospital received a PPP loan of \$1,482,100 in 2020. The loan has an interest rate of 1%, with monthly payments due starting six months after the receipt of the loan. The Hospital received legal notice on November 24, 2020, that the PPP loan was forgiven in its entirety.

#### **Capital Lease Obligations**

The Hospital is obligated under leases for equipment that are accounted for as capital leases. A schedule of the equipment cost and accumulated depreciation under capital leases follows:

	<b>2021</b>	<b>2020</b>
Equipment	\$ 2,251,926	\$ 584,418
Accumulated depreciation	(462,713)	(374,440)
	<u>\$ 1,789,213</u>	<u>\$ 209,978</u>

# Satanta Hospital District

## Notes to Financial Statements

### December 31, 2021 and 2020

The following is a schedule by year of future minimum lease payments under the capital leases including interest at rates of 3.66% to 8.00% together with the present value of the future minimum lease payments as of December 31, 2021:

<u>Year Ending December 31,</u>	
2022	\$ 294,203
2023	222,977
2024	215,748
2025	215,748
2026	215,748
Thereafter	<u>1,043,321</u>
Total minimum lease payments	2,207,745
Less amount representing interest	<u>265,255</u>
Present value of future minimum lease payments	<u><u>\$ 1,942,490</u></u>

#### **Note 7: Net Patient Service Revenue**

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

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

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

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

# **Satanta Hospital District**

## **Notes to Financial Statements**

### **December 31, 2021 and 2020**

Approximately 68% and 73% of net patient service revenue are 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 Hospital has also entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined case rates and discounts from established charges.

#### **Note 8: Charity Care**

The costs of charity care provided under the Hospital's charity care policy were approximately \$118,000 and \$36,000 for 2021 and 2020, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

#### **Note 9: Pension Plans**

##### ***Deferred Contribution Plan – 401(a) Plan***

The Hospital maintains a defined contribution pension plan (401(a) plan) for all eligible employees. Eligibility is established by all employees who are at least 21 years of age and have completed one or more years of service. Employer contributions are computed at the rate of 2% of annual compensation for all employees. The employer also makes supplemental contributions up to an additional 4% of the annual compensation that eligible employees voluntarily defer into the deferred compensation plan as described below. No employee contributions are permitted to the 401(a) plan. Contributions actually made by the Hospital aggregated \$232,640 and \$195,149 during 2021 and 2020, respectively.

##### ***Deferred Compensation Plan – 457 Plan***

The Hospital maintains a deferred compensation plan (457 Plan) for all employees. Employees are eligible to participate in the 457 Plan on their first day of employment. The Hospital does not make contributions to the 457 Plan.

**Satanta Hospital District**  
**Notes to Financial Statements**  
**December 31, 2021 and 2020**

**Note 10: Management/Services Agreement**

The Board has contracted with Great Plains Health Alliance, Inc. (GPHA) for various services, including management, data processing and accounting services. The terms of the agreements cover the period of one year and can be canceled with 90 days' notice. The agreements can be renewed after the initial term has expired on a year-to-year basis. Fees incurred for the various services provided by GPHA to the Hospital for the years ended December 31, 2021 and 2020, were \$672,173 and \$704,074, respectively. Amounts due to GPHA at December 31, 2021 and 2020, totaled \$6,721 and \$785, respectively.

**Note 11: Great Plains Employee Benefits Trust**

In response to amendments to Kansas Insurance Code related to multi-employer welfare arrangements, GPHA restated its existing voluntary employees' beneficiary association (VEBA) trust as described in Section 501(c)(9) of the Internal Revenue Code, which is named the Great Plains Employee Benefits Trust (the Trust). The Trust is governed by its Board of Trustees. One of the purposes of the Trust is to provide the self-funded GPHA Employee Benefits Plan (the Plan) for its member organizations and their participating employees. The Hospital is a member organization in the Trust and substantially all of the Hospital's employees and their dependents are eligible to participate in the Plan. The Plan provides medical benefits, prescription drug benefits and dental benefits for a benefit period that runs each year from July 1 through June 30. The participant's monthly premiums are determined by the Trust. The Trust may change the premiums from time to time. The Plan agreement specifies that the Trust will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of stop-loss amounts. The Trust accrues a provision for self-insured employee benefit claims including both claims reported and claims incurred but not yet reported. If a net deficit position is anticipated by the Trust after consideration of the accrued provision, the Trust will administer insurance assessments to its member organizations based on a systematic allocation method. No assessments were required during 2021 and 2020.

# **Satanta Hospital District**

## **Notes to Financial Statements**

### **December 31, 2021 and 2020**

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

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

Because of these and other uncertainties, the Hospital cannot estimate the length or severity of the effect of the pandemic on the Hospital's business. Decreases in cash flows and 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 Hospital received \$200,000 and \$4,190,413, respectively, of distributions from the *CARES Act* Provider Relief Fund. In addition, the Hospital recorded a receivable of \$215,621 related to the *CARES Act* Provider Relief Fund, which is recorded as grant receivable in the accompanying balance sheets. These distributions from the Provider Relief Fund are not subject to repayment, provided the Hospital is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by HHS.

# **Satanta Hospital District**

## **Notes to Financial Statements**

### **December 31, 2021 and 2020**

The Hospital accounts for such payments as voluntary nonexchange transactions. Payments are recognized as revenue once the applicable terms and conditions to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Hospital's operating revenues and expenses through December 31, 2021 and 2020, the Hospital recognized \$3,667,788 and \$736,341, 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 \$201,905 and \$3,454,072 is recorded as a component of unearned revenue in the accompanying balance sheets for the year ended December 31, 2021 and 2020, respectively.

Guidance for reporting use of Provider Relief Fund payments received has changed significantly since distributions were authorized through the *CARES Act* in March 2020. The Hospital has evaluated the "Post-Payment Notice of Reporting Requirements" (Notice) and the Frequently Asked Questions (FAQs) issued by HHS for the years ended December 31, 2021 and 2020, and has recognized revenue accordingly. The Hospital will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Hospital's revenues and expenses. The terms and conditions governing the Provider Relief Funds are complex and subject to interpretation and change. If the Hospital is unable to attest to or comply with current or future terms and conditions the Hospital's ability to retain some or all of the distributions received may be affected. The Provider Relief Funds are subject to government oversight, including potential audits.

#### ***Medicare Accelerated and Advanced Payment Program***

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

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

During the year ended December 31, 2020, the Hospital received \$1,796,687 from these accelerated Medicare payment requests. During the year ended December 31, 2021, the Hospital fully repaid the \$1,796,687. The unapplied amount of accelerated Medicare payment requests is recorded under the caption advance from Medicare in the accompanying balance sheets and classified as a current and a long-term liability based upon payback provisions in effect at December 31, 2020.

# **Satanta Hospital District**

## **Notes to Financial Statements**

### **December 31, 2021 and 2020**

#### ***Paycheck Protection Program (PPP) Loan***

During the year ended December 31, 2020, the Hospital received a PPP loan of \$1,482,100 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 Hospital received legal notice on November 24, 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.

#### ***Strengthening People and Revitalizing Kansas (SPARK) Program Funding***

During the years ended December 31, 2021 and 2020, the Hospital received \$67,600 and \$300,259 of funding through the SPARK program. The Hospital recognized \$281,489 and \$86,370, related to this funding at December 31, 2021 and 2020, respectively, and these payments are recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position. The unrecognized amount of the SPARK program funding of \$0 and \$213,889, at December 31, 2021 and 2020, respectively, is recorded as a component of unearned revenue in the accompanying balance sheets.

In November 2021, the Hospital received and recognized \$57,737 of a distribution from the Frontline Hospital Employee Retention Plan program. Funding under this program was utilized by the Hospital to retain existing clinical staff and re-hire retirees who have retired since March 1, 2020. The revenue recognized is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, 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 to provide emergency funding support to CAHs and non-CAH rural hospitals with less than 50 beds. This approach provided funding directly to the states to target those rural hospitals and the communities they serve who are facing the greatest strain from this crisis. The Hospital received \$57,661 and \$25,952, during 2021 and 2020, respectively. The Hospital recognized \$57,661 and \$25,952 related to this grant at December 31, 2021 and 2020, respectively. The payments are recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

# **Satanta Hospital District**

## **Notes to Financial Statements**

### **December 31, 2021 and 2020**

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 Hospital received and recognized \$100,000 on April 24, 2020, related to this special emergency grant. The payment is recorded as a component of noncapital grants and gifts 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, 2020. In addition, KHA was awarded an additional \$1.95 million to be distributed in the future. The Hospital 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 grants and gifts 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 Hospital. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

On May 18, 2022, the Hospital received \$256,818 in a distribution from the *CARES Act* Provider Relief Fund – Phase 4.



**Satanta Hospital District**  
**Notes to Financial Statements**  
**December 31, 2021 and 2020**

**Note 14: Future Change in Accounting Principles**

**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 Hospital is evaluating the impact the statement will have on the financial statements.

## **Supplementary Information**

**Satanta Hospital District**  
**Comparison of Revenues and Expenses (Cash Basis) – Actual and Tax Budget**  
**Year Ended December 31, 2021**

	<b>Actual</b>	<b>Tax Budget</b>	<b>Actual Over (Under) Budget</b>
<b>General Fund:</b>			
Property taxes	\$ 1,741,257	\$ 1,668,788	\$ 72,469
Interest	<u>2,646</u>	<u>4,000</u>	<u>(1,354)</u>
Total revenue	1,743,903	1,672,788	71,115
Transfer to hospital operations	<u>2,500,000</u>	<u>2,085,453</u>	<u>414,547</u>
Excess (deficiency) of revenue over expenditures	(756,097)	<u>\$ (412,665)</u>	<u>\$ (343,432)</u>
Unencumbered cash, beginning of year	<u>1,329,550</u>		
Unencumbered cash, end of year	<u><u>\$ 573,453</u></u>		
<b>Debt Service Fund:</b>			
Property taxes	\$ 16,268	\$ -	\$ 16,268
Interest	<u>45</u>	<u>-</u>	<u>45</u>
Total revenue	<u>16,313</u>	<u>-</u>	<u>16,313</u>
Other	<u>40,447</u>	<u>25,298</u>	<u>15,149</u>
Total expenditures	<u>40,447</u>	<u>25,298</u>	<u>15,149</u>
Excess (deficiency) of revenue over expenditures	(24,134)	<u>\$ (25,298)</u>	<u>\$ 1,164</u>
Unencumbered cash, beginning of year	<u>24,134</u>		
Unencumbered cash, end of year	<u><u>\$ -</u></u>		

## **TAB 2**

*Representation of:*  
Satanta Hospital District  
P.O. Box 159  
Satanta, Kansas 67870

*Provided to:*  
**BKD, LLP**  
Certified Public Accountants  
1551 North Waterfront Parkway, Suite 300  
Wichita, Kansas 67206

The undersigned (“We”) are providing this letter in connection with BKD’s audits of our financial statements as of and for the years ended December 31, 2021 and 2020.

Our representations are current and effective as of the date of BKD’s report: May 24, 2022.

Our engagement with BKD is based on our contract for services dated: November 17, 2021.

### **Our Responsibility and Consideration of Material Matters**

We confirm that we are responsible for the fair presentation of the financial statements subject to BKD’s report in conformity with accounting principles generally accepted in the United States of America and the provisions of the Kansas Municipal Audit and Accounting Guide.

We are also responsible for adopting sound accounting policies; establishing and maintaining effective internal control over financial reporting, operations, and compliance; and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

### **Confirmation of Matters Specific to the Subject Matter of BKD’s Report**

We confirm, to the best of our knowledge and belief, the following:

1. We have fulfilled our responsibilities, as set out in the terms of our contract, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and the Kansas Municipal Audit and Accounting Guide except that supplementary information as required by the Governmental Accounting Standards Board (GASB), consisting of management’s discussion and analysis, has not been prepared.

2. We acknowledge our responsibility for the design, implementation, and maintenance of:
  - a. Internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
  - b. Internal control to prevent and detect fraud.
3. We have reviewed and approved a draft of the financial statements and related notes referred to above, which you prepared in connection with your audit of our financial statements. We acknowledge that we are responsible for the fair presentation of the financial statements and related notes.
4. We have everything we need to keep our books and records.
5. We have provided you with:
  - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d. All minutes of trustees' meetings held through the date of this letter or summaries of actions of recent meetings for which minutes have not yet been prepared. All unsigned copies of minutes provided to you are copies of our original minutes approved by the board, if applicable, and maintained as part of our records.
  - e. All significant contracts and grants.
  - f. All peer review organizations, administrative contractor, and third-party payer reports and information.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. We have informed you of all current risks of a material amount that are not adequately prevented or detected by our procedures with respect to:
  - a. Misappropriation of assets.
  - b. Misrepresented or misstated assets, liabilities, or net position.
8. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

9. We have no knowledge of any known or suspected fraudulent financial reporting or misappropriation of assets involving:
  - a. Management or employees who have significant roles in internal control, or
  - b. Others, where activities of others could have a material effect on the financial statements.
10. We have no knowledge of any communications from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.
11. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, customers, regulators, suppliers, or others.
12. We have assessed the risk that the financial statements may be materially misstated as a result of fraud and disclosed to you any such risk identified.
13. We have disclosed to you the identity of all of the entity's related parties and all the related-party relationships of which we are aware. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

We understand that the term related party refers to an affiliate; management and members of their immediate families, component units and any other party with which the entity may deal if the entity can significantly influence, or be influenced by, the management or operating policies of the other. The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the entity.

14. We are not aware of any side agreements or other arrangements (either written or oral) that are in place.
15. Except as reflected in the financial statements, there are no:
  - a. Plans or intentions that may materially affect carrying values or classifications of assets and liabilities.
  - b. Material transactions omitted or improperly recorded in the financial records.
  - c. Material gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.
  - d. Events occurring subsequent to the balance sheet date through the date of this letter requiring adjustment or disclosure in the financial statements.
  - e. Agreements to purchase assets previously sold.
  - f. Restrictions on cash balances or compensating balance agreements.
  - g. Guarantees, whether written or oral, under which the entity is contingently liable.

16. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
17. We have no reason to believe the entity owes any penalties or payments under the Employer Shared Responsibility Provisions of the *Patient Protection and Affordable Care Act* nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.
18. We are not aware of any pending or threatened litigation or claims whose effects should be considered when preparing the financial statements. We have not sought or received attorney's services related to pending or threatened litigation or claims during or subsequent to the audit period. Also, we are not aware of any litigation or claims, pending or threatened, for which legal counsel should be sought.
19. We have informed you of all pending or completed investigations by regulatory authorities of which we are aware. There are no known circumstances that could jeopardize the entity's participation in the Medicare or other governmental health care programs.
20. Adequate provisions and allowances have been accrued for any material losses from:
  - a. Uncollectible receivables.
  - b. Medicare/Medicaid and other third-party payer contractual, audit, or other adjustments.
  - c. Reducing obsolete or excess inventories to estimated net realizable value.
  - d. Purchase commitments in excess of normal requirements or above prevailing market prices.
21. Except as disclosed in the financial statements, the entity has:
  - a. Satisfactory title to all recorded assets, and they are not subject to any liens, pledges, or other encumbrances.
  - b. Complied with all aspects of contractual and grant agreements, for which noncompliance would materially affect the financial statements.
22. The financial statements disclose all significant estimates known to us. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
23. The fair values of financial and nonfinancial assets and liabilities, if any, recognized in the financial statements or disclosed in the notes thereto are reasonable estimates based on the methods and assumptions used. The methods and significant assumptions used result in measurements of fair value appropriate for financial statement recognition and disclosure purposes and have been applied consistently from period to period, taking into account any changes in circumstances. The significant assumptions appropriately reflect market participant assumptions.



24. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.
25. With respect to any nonattest services you have provided us during the year, including drafting of the financial statements and related notes, assistance with adjustment, if necessary, as a result of Medicare, and assistance with revenue recognition related to Provider Relief Funds.
- a. We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.
  - b. We have established and monitored the performance of the nonattest services to ensure they meet our objectives.
  - c. We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.
  - d. We have evaluated the adequacy of the services performed and any findings that resulted.
26. With respect to the entity's possible exposure to past or future medical malpractice assertions:
- a. We have disclosed to you all incidents known to us that could possibly give rise to an assertion of malpractice.
  - b. All known incidents have been reported to the appropriate medical malpractice insurer and are appropriately considered in our malpractice liability accrual.
  - c. There is no known lapse in coverage, including any lapse subsequent to the fiscal year-end, that would result in any known incidents being uninsured.
  - d. Management does not expect any claims to exceed malpractice insurance limits.
  - e. We believe our accruals for malpractice claims are sufficient for all known and probable potential claims.
27. With regard to deposit and investment activities:
- a. All deposit, repurchase and reverse repurchase agreements, and investment transactions have been made in accordance with legal and contractual requirements.
  - b. Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.
  - c. We understand that your audit does not represent an opinion regarding the enforceability of any collateral pledges.

28. As an entity subject to *Government Auditing Standards*:

- a. We acknowledge that we are responsible for compliance with applicable laws, regulations, and provisions of contracts and grant agreements.
  - b. We have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determination of amounts in our financial statements or other financial data significant to the audit objectives.
  - c. We have identified and disclosed to you any violations or possible violations of laws, regulations, and provisions of contracts and grant agreements whose effects should be considered for recognition and/or disclosure in the financial statements or for your reporting on noncompliance.
  - d. We have taken or will take timely and appropriate steps to remedy any fraud, abuse, illegal acts, or violations of provisions of contracts or grant agreements that you or other auditors report.
  - e. We have a process to track the status of audit findings and recommendations.
  - f. We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of your audit and the corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements, or other studies.
  - g. We have provided our views on any findings, conclusions, and recommendations, as well as our planned corrective actions with respect thereto, to you for inclusion in the findings and recommendations referred to in your report on internal control over financial reporting and on compliance and other matters based on your audit of the financial statements performed in accordance with *Government Auditing Standards*.
29. Billings to third-party payers comply in all material respects with applicable coding guidelines, laws, and regulations. Billings reflect only charges for goods and services that were medically necessary; properly approved by regulatory bodies, if required; and properly rendered.

30. With regard to cost reports filed with Medicare, Medicaid, or other third parties:

- a. All required reports have been properly filed.
- b. Management is responsible for the accuracy and propriety of those reports.
- c. All costs reflected on such reports are appropriate and allowable under applicable reimbursement rules and regulations and are patient-related and properly allocated to applicable payers.
- d. The reimbursement methodologies and principles employed are in accordance with applicable rules and regulations.

- e. All items required to be disclosed, including disputed costs that are being claimed to establish a basis for a subsequent appeal, have been fully disclosed in the cost report.
  - f. Recorded third-party settlements include differences between filed (and to be filed) cost reports and calculated settlements, which are necessary based upon historical experience or new or ambiguous regulations that may be subject to differing interpretations. While management believes the entity is entitled to all the amounts claimed on the cost reports, management also believes the amounts of these differences are appropriate.
31. We acknowledge the current economic volatility presents difficult circumstances and challenges for our industry. Entities are potentially facing declines in the fair values of investments and other assets, declines in the volume of business and contributions, constraints on liquidity, difficulty obtaining financing, etc. We understand the values of the assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments to asset values, allowances for patient accounts receivable, etc., that could negatively impact the entity's ability to maintain sufficient liquidity.

We acknowledge that you have no responsibility for future changes caused by the current economic environment and the resulting impact on the entity's financial statements. Further, management and governance are solely responsible for all aspects of managing the entity, including questioning the quality and valuation of investments and other assets, reviewing allowances for uncollectible amounts, evaluating capital needs and liquidity plans, etc.

32. We do not control the assets within the 401a defined contribution plan or the 457 plan as defined in Governmental Accounting Standards Board (GASB) No. 84, *Fiduciary Activities*.
33. With regards to our loan obtained under the "first draw" Paycheck Protection Program (created under the *CARES Act of 2020* and extended under the *2021 Consolidated Appropriations Act*) (PPP-1 or First Draw), dated June 5, 2020, we represent the following:
- a. At the time of the loan application, the current economic uncertainty that existed made this loan request necessary to support the entity's ongoing operations. In making this assessment, we considered the nature of our business activities at the time of the loan application and our ability to access other sources of liquidity that were (could have been) sufficient to support ongoing operations.
  - b. The entity, when considered together with all its affiliates (using the affiliate determinations required by the PPP-1), had fewer than 500 employees at the date of the loan application.
    - i. In addition, we have determined the number of full-time equivalent employees on payroll (at the time of the application) in a manner that is consistent with the clarification guidance released by the Small Business Administration.
  - c. We have not received more than one loan under the First Draw Paycheck Protection Program. In addition, we have confirmed with our affiliated entities (using the affiliate determinations required by the PPP-1) that the total of any PPP loans received by us and by those affiliates under the First Draw program does not exceed \$20 million in the aggregate.

- d. We have not used the proceeds from the PPP-1 loan for expenditures that were covered by other funding sources, *i.e.*, government grants or contracts.
  - e. The funds received under this loan have only been used:
    - i. To retain workers and maintain payroll;
    - ii. To make mortgage interest, lease, and utility payments;
    - iii. To pay for worker protection costs related to COVID-19;
    - iv. To pay for uninsured property damage costs caused by looting or vandalism during 2020
  - f. We have not spent more than 40 percent of the loan amount for nonpayroll costs.
  - g. We received legal notice on November 24, 2020, that the PPP loan was forgiven in its entirety. We recognized the forgiveness of the loan as an extinguishment of debt and classified it as nonoperating revenue.
34. With regards to the payments received from the Provider Relief Fund established by the *CARES Act*, we represent the following:
- a. To the extent revenue has been recognized, we believe we have overcome the barriers established by the U.S. Department of Health and Human Services' (HHS) terms and conditions for the Provider Relief Fund.
  - b. We believe the method we have utilized to recognize revenue associated with the Provider Relief Fund is consistent with acceptable methods outlined in HHS' terms and conditions and other guidance available as of December 31, 2021.
  - c. We acknowledge that HHS may issue new guidance that could have a material impact on the amount of revenue recognized from the Provider Relief Fund as of December 31, 2021.
  - d. We understand that amounts recognized on the Schedule of Expenditures of Federal Awards may differ from amounts recognized on the financial statements. The Schedule of Expenditures of Federal Awards will be issued at a later date.

DocuSigned by:



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Tina Pendergraft, CEO

tpendergraft@satantahospital.org

DocuSigned by:



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Kim Leggett, CFO

kleggett@satantahospital.org

# Satanta Hospital District

## ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflect the effects on the financial statements if the uncorrected misstatements identified were corrected.

### QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	7,752,549	39,896	7,792,445	0.51%
Non-Current Assets & Deferred Outflows	10,276,972		10,276,972	
Current Liabilities	(1,994,010)		(1,994,010)	
Non-Current Liabilities & Deferred Inflows	(3,492,504)		(3,492,504)	
Current Ratio	3.888		3.908	0.51%
Total Assets	18,029,521	39,896	18,069,417	0.22%
Total Liabilities & Deferred Inflows	(5,486,514)		(5,486,514)	
Total Net Position	(12,543,007)	(39,896)	(12,582,903)	0.32%
Operating Revenues	(12,164,396)	(2,190)	(12,166,586)	0.02%
Operating Expenses	15,598,680		15,598,680	
Nonoperating (Revenues) Exp	(6,287,697)		(6,287,697)	
Change in Net Position	(2,853,413)	(2,190)	(2,855,603)	0.08%

Client: **Satanta Hospital District**  
Period Ending: **December 31, 2021**

Major Enterprise Fund  
SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

			Assets & Deferred Outflows				Liabilities & Deferred Inflows				Net Effect on Following Year					
Description	Financial Statement Line Item	Factual (F), Judgmental (J) or Projected (P)	Current		Noncurrent		Current		Noncurrent		Operating Revenues	Operating Expenses	Nonoperating (Revenues) Exp	Net Position	Change in Net Position	
			DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)
Exclusion of Foundation accounts as a blended component unit.		F	39,896	0	0	0					(2,190)	0	0	(37,706)	0	0
	Cash		39,896													
	Net Position													(37,706)		
	Revenue										(2,190)					
Total passed adjustments			39,896	0	0	0					(2,190)	0	0	(37,706)	0	0
Impact on Change in Net Position														(2,190)		
Impact on Net Position														(39,896)		