# Sheridan County Health Complex

## A Component Unit of Sheridan County, Kansas

## Independent Auditor's Report and Financial Statements

**December 31, 2022 and 2021**



# Sheridan County Health Complex
## A Component Unit of Sheridan County, Kansas
### December 31, 2022 and 2021

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# Independent Auditor's Report

Board of Trustees
Sheridan County Health Complex
Hoxie, Kansas

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the financial statements of Sheridan County Health Complex (Hospital), a component unit of Sheridan County, Kansas, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Hospital'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 Sheridan County Health Complex as of December 31, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the provisions of the *Kansas Municipal Audit and Accounting Guide* and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 the Hospital, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 the Hospital's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hospital's basic financial statements. The supplementary information, including the schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2023, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

FORVIS, LLP

Wichita, Kansas
May 22, 2023

# Sheridan County Health Complex
## A Component Unit of Sheridan County, Kansas
### Balance Sheets
### December 31, 2022 and 2021

## Assets

| | 2022 | 2021 |
|---|---|---|
| **Current Assets** | | |
| Cash | $ 3,136,870 | $ 6,054,473 |
| Short-term certificates of deposit | 2,223,350 | 1,244,489 |
| Patient accounts receivable, net of allowance; 2022 - $358,000, 2021 - $367,000 | 1,508,168 | 1,599,454 |
| 340B pharmacy receivable | 80,577 | 54,443 |
| Noncapital appropriations - Sheridan County - sales taxes receivable | 133,764 | 94,592 |
| Grants receivable | 474,737 | 521,190 |
| Estimated amounts due from third-party payers | 600,000 | 1,010,000 |
| Supplies | 466,616 | 470,783 |
| Prepaid expenses and other | 127,222 | 115,545 |
| Total current assets | 8,751,304 | 11,164,969 |
| **Capital Assets, Net** | 5,223,296 | 3,972,763 |
| Total assets | $ 13,974,600 | $ 15,137,732 |

*See Notes to Financial Statements*

## Liabilities and Net Position

| | 2022 | 2021 |
|---|---|---|
| **Current Liabilities** | | |
| Current maturities of long-term debt | $ 162,844 | $ 2,358,439 |
| Accounts payable | 429,671 | 605,993 |
| Accrued expenses | 777,242 | 716,654 |
| Unearned revenue | 463,317 | 299,917 |
| Advance from Medicare | - | 1,356,562 |
| Total current liabilities | 1,833,074 | 5,337,565 |
| **Long-term Debt** | 2,458,391 | 371,560 |
| Total liabilities | 4,291,465 | 5,709,125 |
| **Net Position** | | |
| Net investment in capital assets | 2,527,892 | 1,781,141 |
| Restricted - expendable | 17,553 | 30,479 |
| Unrestricted | 7,137,690 | 7,616,987 |
| Total net position | 9,683,135 | 9,428,607 |
| Total liabilities and net position | $ 13,974,600 | $ 15,137,732 |

# Sheridan County Health Complex
## A Component Unit of Sheridan County, Kansas
### Statements of Revenues, Expenses and Changes in Net Position
### Years Ended December 31, 2022 and 2021

| | 2022 | 2021 |
|---|---|---|
| **Operating Revenues** | | |
| Net patient service revenue, net of provision for uncollectible accounts; 2022 - $122,000, 2021 - $290,755 | $ 10,986,540 | $ 10,417,096 |
| Other | 506,953 | 469,436 |
| Total operating revenues | 11,493,493 | 10,886,532 |
| **Operating Expenses** | | |
| Salaries and wages | 8,366,038 | 7,859,941 |
| Employee benefits | 2,027,129 | 1,856,804 |
| Purchased services and professional fees | 1,261,522 | 2,061,192 |
| Supplies and other | 3,381,184 | 3,182,627 |
| Depreciation | 498,686 | 396,040 |
| Total operating expenses | 15,534,559 | 15,356,604 |
| **Operating Loss** | (4,041,066) | (4,470,072) |
| **Nonoperating Revenues (Expenses)** | | |
| Noncapital appropriations - Sheridan County - property taxes | 771,740 | 807,206 |
| Noncapital appropriations - Sheridan County - sales taxes | 562,654 | 524,152 |
| Interest income | 41,126 | 73,483 |
| Interest expense | (55,395) | (195,884) |
| Noncapital grants and gifts | 2,849,667 | 4,613,771 |
| Total nonoperating revenues | 4,169,792 | 5,822,728 |
| **Excess of Revenues Over Expenses Before Capital Grants and Gifts** | 128,726 | 1,352,656 |
| **Capital Grants and Gifts** | 125,802 | 24,639 |
| **Increase in Net Position** | 254,528 | 1,377,295 |
| **Net Position, Beginning of Year** | 9,428,607 | 8,051,312 |
| **Net Position, End of Year** | $ 9,683,135 | $ 9,428,607 |

# Sheridan County Health Complex
## A Component Unit of Sheridan County, Kansas
### Statements of Cash Flows
### Years Ended December 31, 2022 and 2021

| | 2022 | 2021 |
|---|---|---|
| **Cash Flows From Operating Activities** | | |
| Receipts from and on behalf of patients | $ 10,151,583 | $ 9,085,214 |
| Payments to suppliers and contractors | (4,737,624) | (5,184,197) |
| Payments to employees | (10,332,579) | (9,757,518) |
| Other receipts, net | 506,953 | 469,436 |
| Net cash used in operating activities | (4,411,667) | (5,387,065) |
| **Cash Flows From Noncapital Financing Activities** | | |
| Noncapital appropriations - Sheridan County - property taxes | 771,740 | 807,206 |
| Noncapital appropriations - Sheridan County - sales taxes | 523,482 | 496,166 |
| Noncapital grants and gifts | 3,013,067 | 1,130,542 |
| Net cash provided by financing activities | 4,308,289 | 2,433,914 |
| **Cash Flows From Capital and Related Financing Activities** | | |
| Capital grants and gifts | 125,802 | 24,639 |
| Proceeds from issuance of long-term debt | 2,250,000 | - |
| Principal paid on long-term debt | (2,358,764) | (108,652) |
| Interest paid on long-term debt | (55,395) | (195,884) |
| Purchase of capital assets | (1,838,133) | (1,805,396) |
| Net cash used in capital and related financing activities | (1,876,490) | (2,085,293) |
| **Cash Flows From Investing Activities** | | |
| Interest income received | 41,126 | 73,483 |
| Purchases of short-term certificates of deposit | (2,223,350) | (1,244,489) |
| Maturities of short-term certificates of deposit | 1,244,489 | 1,239,387 |
| Net cash provided by (used in) investing activities | (937,735) | 68,381 |
| **Decrease in Cash** | (2,917,603) | (4,970,063) |
| **Cash, Beginning of Year** | 6,054,473 | 11,024,536 |
| **Cash, End of Year** | $ 3,136,870 | $ 6,054,473 |

# Sheridan County Health Complex
## A Component Unit of Sheridan County, Kansas
### Statements of Cash Flows (Continued)
### Years Ended December 31, 2022 and 2021

| | 2022 | 2021 |
|---|---|---|
| **Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities** | | |
| Operating loss | $ (4,041,066) | $ (4,470,072) |
| Depreciation | 498,686 | 396,040 |
| Provision for uncollectible accounts | 122,000 | 290,755 |
| Changes in operating assets and liabilities | | |
| Patient accounts receivable, net | (30,714) | (523,212) |
| Estimated amounts due from or to third-party payers | 410,000 | 20,000 |
| Advance from Medicare | (1,356,562) | (811,528) |
| Accounts payable and accrued expenses | (26,820) | 105,655 |
| Other assets and liabilities | 12,809 | (394,703) |
| Net cash used in operating activities | $ (4,411,667) | $ (5,387,065) |
| **Noncash Investing, Capital and Financing Activities** | | |
| Capital assets acquisitions included in accounts payable | $ 74,169 | $ 163,083 |

# Sheridan County Health Complex
## A Component Unit of Sheridan County, Kansas
### Notes to Financial Statements
### December 31, 2022 and 2021

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

### *Nature of Operations and Reporting Entity*

Sheridan County Health Complex (Hospital) is an acute care hospital located in Hoxie, Kansas. The Hospital is a component unit of Sheridan County, Kansas (County). The Hospital is operated by a Board of Trustees elected by the registered voters of Sheridan County, Kansas. The Hospital primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in the Sheridan County area. It also operates a long-term care unit and independent living in the same geographic area.

### *Basis of Accounting and Presentation*

The financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific (such as county appropriations), 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 is available.

### *Use of Estimates*

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

### *Cash Equivalents*

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents.

### *Patient Accounts Receivable*

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

### *Supplies*

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

### *Capital Assets*

Capital assets are recorded at cost at the date of acquisition or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. 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 – 25 years |
| Major moveable equipment | 3 – 20 years |

### *Capital Asset Impairment*

The Hospital evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment loss. No asset impairment was recognized during the years ended December 31, 2022 and 2021.

### *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.

### *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; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than workers' compensation. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

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

### *Net Position*

Net position of the Hospital is classified in three 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, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

### *Net Patient Service Revenue*

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

### *Charity Care*

The Hospital provides charity care to patients who are unable to pay for services. The amount of charity care is included in net patient service revenue and is not separately classified from the provision for uncollectible accounts.

### *Noncapital Appropriations – Sheridan County – Property and Sales Tax Revenues*

The Hospital received approximately 8% in both 2022 and 2021 of its financial support from the proceeds of noncapital appropriations for property and sales taxes. One hundred percent of these funds were used to support operations in both years.

Property taxes are assessed by the County in November and are received beginning in January of the following year.

Sales tax revenue is recognized based on sales tax collected by the County's retailers in the Hospital's accounting period.

Noncapital appropriations revenue for both property and sales taxes are recognized in full in the year in which use is first permitted.

### *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 function of the County, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the Hospital is subject to federal income tax on any unrelated business taxable income. The Hospital has obtained 501(c)(3) tax-exempt status with the IRS for purposes of participating in a Section 403(b) pension plan.

## 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, 2022 and 2021, respectively, $4,182,553 and $5,981,347 of the Hospital's bank balances of $5,682,553 and $7,481,347 were exposed to custodial credit risk as follows:

| | 2022 | 2021 |
|---|---|---|
| Uninsured and collateral held by pledging financial institution | $ 4,182,553 | $ 5,981,347 |

### *Summary of Carrying Values*

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

| | 2022 | 2021 |
|---|---|---|
| Carrying value | | |
| Deposits | $ 5,360,220 | $ 7,298,962 |
| Included in the following balance sheet captions | | |
| Cash | $ 3,136,870 | $ 6,054,473 |
| Short-term certificates of deposit | 2,223,350 | 1,244,489 |
| | $ 5,360,220 | $ 7,298,962 |

## Note 3: Patient Accounts Receivable

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

| | 2022 | 2021 |
|---|---|---|
| Medicare | $ 658,201 | $ 857,409 |
| Medicaid | 214,779 | 97,238 |
| Blue Cross | 315,897 | 364,605 |
| Other third-party payers | 269,397 | 205,305 |
| Patients | 407,894 | 441,897 |
| | 1,866,168 | 1,966,454 |
| Less allowance for uncollectible accounts | 358,000 | 367,000 |
| | $ 1,508,168 | $ 1,599,454 |

## Note 4: Capital Assets

Capital assets activity for the years ended December 31 was:

| | 2022 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Disposals | Transfers | Ending Balance |
| Land | $ 68,208 | $ - | $ - | $ - | $ 68,208 |
| Land improvements | 321,525 | - | - | 26,289 | 347,814 |
| Buildings | 6,006,092 | - | - | 612,803 | 6,618,895 |
| Fixed equipment | 1,292,593 | - | - | 71,986 | 1,364,579 |
| Major moveable equipment | 5,225,423 | 15,467 | (81,688) | 389,202 | 5,548,404 |
| Construction in progress | 167,621 | 1,733,752 | - | (1,100,280) | 801,093 |
| | 13,081,462 | 1,749,219 | (81,688) | - | 14,748,993 |
| Less accumulated depreciation | | | | | |
| Land improvements | 200,748 | 12,114 | - | - | 212,862 |
| Buildings | 3,302,992 | 208,470 | - | - | 3,511,462 |
| Fixed equipment | 1,002,541 | 60,992 | - | - | 1,063,533 |
| Major moveable equipment | 4,602,418 | 217,110 | (81,688) | - | 4,737,840 |
| | 9,108,699 | 498,686 | (81,688) | - | 9,525,697 |
| Capital assets, net | $ 3,972,763 | $ 1,250,533 | $ - | $ - | $ 5,223,296 |

| | 2021 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Disposals | Transfers | Ending Balance |
| Land | $ 68,208 | $ - | $ - | $ - | $ 68,208 |
| Land improvements | 262,696 | - | - | 58,829 | 321,525 |
| Buildings | 4,067,604 | - | - | 1,938,488 | 6,006,092 |
| Fixed equipment | 1,222,339 | 14,299 | - | 55,955 | 1,292,593 |
| Major moveable equipment | 5,055,888 | 141,343 | (41,661) | 69,853 | 5,225,423 |
| Construction in progress | 477,909 | 1,812,837 | - | (2,123,125) | 167,621 |
| | 11,154,644 | 1,968,479 | (41,661) | - | 13,081,462 |
| Less accumulated depreciation | | | | | |
| Land improvements | 191,997 | 8,751 | - | - | 200,748 |
| Buildings | 3,234,090 | 68,902 | - | - | 3,302,992 |
| Fixed equipment | 940,216 | 62,325 | - | - | 1,002,541 |
| Major moveable equipment | 4,388,017 | 256,062 | (41,661) | - | 4,602,418 |
| | 8,754,320 | 396,040 | (41,661) | - | 9,108,699 |
| Capital assets, net | $ 2,400,324 | $ 1,572,439 | $ - | $ - | $ 3,972,763 |

## Note 5: Long-term Debt

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

| | 2022 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Deductions | Ending Balance | Current Portion |
| Revenue bonds payable | | | | | |
| Series 2015-A | $ 80,000 | $ - | $ (20,000) | $ 60,000 | $ 20,000 |
| Series 2015-B | 150,000 | - | (37,500) | 112,500 | 37,500 |
| Series 2015-C | 60,112 | - | (15,028) | 45,084 | 15,028 |
| Series 2019-A | 40,800 | - | (13,600) | 27,200 | 13,600 |
| Series 2019-B | 2,250,000 | - | (2,250,000) | - | - |
| Series 2022-A | - | 2,250,000 | - | 2,250,000 | 54,405 |
| Notes payable | 149,087 | - | (22,636) | 126,451 | 22,311 |
| Total long-term debt | $ 2,729,999 | $ 2,250,000 | $ (2,358,764) | $ 2,621,235 | $ 162,844 |

| | 2021 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Deductions | Ending Balance | Current Portion |
| Revenue bonds payable | | | | | |
| Series 2015-A | $ 100,000 | $ - | $ (20,000) | $ 80,000 | $ 20,000 |
| Series 2015-B | 187,500 | - | (37,500) | 150,000 | 37,500 |
| Series 2015-C | 75,140 | - | (15,028) | 60,112 | 15,028 |
| Series 2019-A | 54,400 | - | (13,600) | 40,800 | 13,600 |
| Series 2019-B | 2,250,000 | - | - | 2,250,000 | 2,250,000 |
| Notes payable | 171,611 | - | (22,524) | 149,087 | 22,311 |
| Total long-term debt | $ 2,838,651 | $ - | $ (108,652) | $ 2,729,999 | $ 2,358,439 |

### *Revenue Bonds Payable – Series 2015-A*

The Series 2015-A revenue bonds payable consist of Health Facilities Revenue Bonds (Bonds) in the original amount of $200,000 dated February 23, 2015. These Bonds were purchased in their entirety by Prairie Land Electric Cooperative, Inc. at their par value with no interest due on these Bonds pursuant to a Rural Economic Development Loan and Grant Program. The proceeds were used to finance the construction of a modular building to house the CT scanner. The Bonds are payable in annual installments of $20,000 through March 3, 2025.

### *Revenue Bonds Payable – Series 2015-B*

The Series 2015-B revenue bonds payable consist of Health Facilities Revenue Bonds (Bonds) in the original amount of $375,000 dated March 3, 2015. These Bonds were purchased in their entirety by Western Cooperative Electric Association, Inc. at their par value with no interest due on these Bonds pursuant to a Rural Economic Development Loan and Grant Program. The proceeds were used to purchase a new 64 slice CT scanner. The Bonds are payable in annual installments of $37,500 through March 3, 2025.

### *Revenue Bonds Payable – Series 2015-C*

The Series 2015-C revenue bonds payable consist of Health Facilities Revenue Bonds (Bonds) in the original amount of $150,280 dated November 17, 2015. These Bonds were purchased in their entirety by Western Cooperative Electric Association, Inc. at their par value with no interest due on these Bonds pursuant to a Rural Economic Development Loan and Grant Program. The proceeds were used to finance lab equipment. The Bonds are payable in annual installments of $15,028 through March 3, 2025.

The debt service requirements for the series 2015 revenue bonds as of December 31, 2022, are as follows:

| Year Ending December 31, | Total to be Paid | Principal | Interest |
|---|---|---|---|
| 2023 | $ 86,128 | $ 86,128 | $ - |
| 2024 | 86,128 | 86,128 | - |
| 2025 | 72,528 | 72,528 | - |
| | $ 244,784 | $ 244,784 | $ - |

### *Revenue Bonds Payable – Series 2019-A*

The Series 2019-A revenue bonds payable consist of Health Facilities Revenue Bonds (Bonds) in the original amount of $68,000 dated May 7, 2019. These Bonds were purchased in their entirety by Western Cooperative Electric Association, Inc. at their par value with no interest due on these Bonds pursuant to a Rural Economic Development Loan and Grant Program. The proceeds were used to finance a portion of the purchase of telemetry system equipment. The Bonds are payable in annual installments of $13,600 through May 7, 2024.

### *Revenue Bonds Payable – Series 2019-B*

The Series 2019-B revenue bonds payable consist of Health Facilities Revenue Bonds (Bonds) in the original amount of $2,250,000 dated June 6, 2019. These Bonds were purchased by Equity Bank, First State Bank, Peoples State Bank and The Bank at $562,500 each at their par value with 3.25% interest due on these Bonds. Interest payments are due on the first day of June and December starting with the first interest payment on December 1, 2019. The 2019-B Bonds were due and payable on June 1, 2021. Due to delays caused by COVID-19, the bonds were extended and are now due April 30, 2022. The proceeds will be used to remodel the acute rooms at the Hospital. The 2019-B Bonds provide temporary financing through the construction period and the United States Department of Agriculture (USDA) will provide the permanent financing through a direct loan as part of their Rural Development Program. The 2019-B Bonds are secured by the net revenues of the Hospital. The Series 2019-B was paid off with the issuance of the Series 2022-A in April 2022.

### *Notes Payable*

The Hospital entered into a loan agreement with Prairie Land Electric Cooperative, Inc. in 2017 for the purpose of purchasing equipment to perform endoscopic and colonoscopy procedures. Annual payments of $11,714, which includes interest at 1.00%, begin in March 2018 and will continue through March 2027.

The Hospital entered into a loan agreement with Western Cooperative Electric Association, Inc. in 2018 for the purpose of purchasing digital imaging mobile x-ray equipment. Annual payments of $11,600, which includes interest at 0%, begin in May 2019 and will continue through May 2028.

The debt service requirements for the notes payable as of December 31, 2022, are as follows:

| Year Ending December 31, | Total to be Paid | Principal | Interest |
|---|---|---|---|
| 2023 | $ 23,314 | $ 22,745 | $ 569 |
| 2024 | 23,314 | 22,857 | 457 |
| 2025 | 23,314 | 22,969 | 345 |
| 2026 | 23,314 | 23,084 | 230 |
| 2027 | 23,314 | 23,196 | 118 |
| 2028 | 11,600 | 11,600 | - |
| | $ 128,170 | $ 126,451 | $ 1,719 |

### *Revenue Bonds Payable – Series 2022-A*

The Series 2022-A revenue bonds payable consist of Health Facilities Revenue Bonds (Bonds) in the original amount of $2,250,000 dated March 28, 2022. These Bonds were purchased in their entirety by the United States Department of Agriculture (USDA) at their par value with interest of 2.125%. The proceeds were used to pay off the Series 2019-B revenue bonds, which proceeds were used to remodel the acute rooms at the Hospital. The Bonds are payable in annual installments of $102,218 (principal and interest) through March 28, 2052.

The debt service requirements for the notes payable as of December 31, 2022, are as follows:

| Year Ending December 31, | Total to be Paid | Principal | Interest |
|---|---|---|---|
| 2023 | $ 102,218 | $ 54,405 | $ 47,813 |
| 2024 | 102,218 | 55,434 | 46,784 |
| 2025 | 102,218 | 56,740 | 45,478 |
| 2026 | 102,218 | 57,945 | 44,273 |
| 2027 | 102,218 | 59,177 | 43,041 |
| 2028 - 2032 | 511,090 | 315,065 | 196,025 |
| 2033 - 2037 | 511,090 | 350,132 | 160,958 |
| 2038 - 2042 | 511,090 | 388,964 | 122,126 |
| 2043 - 2047 | 511,090 | 432,105 | 78,985 |
| 2048 - 2052 | 511,090 | 480,033 | 31,057 |
| | $ 3,066,540 | $ 2,250,000 | $ 816,540 |

## Note 6: Professional Liability 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 claims-made coverage for each medical incident and $2,400,000 of aggregate coverage for each policy year.

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

## Note 7: Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses included in current liabilities at December 31 consisted of:

| | 2022 | 2021 |
|---|---|---|
| Payable to suppliers and contractors | $ 429,671 | $ 605,993 |
| Payable to employees (including payroll taxes and benefits) | 777,242 | 716,654 |
| | $ 1,206,913 | $ 1,322,647 |

## Note 8: 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 critical access hospital (CAH) and is paid at one hundred one percent (101%) of allowable costs for certain inpatient and outpatient services. The Hospital is reimbursed for certain services and cost reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor.

*Medicaid.* Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed on a prospective payment methodology, which includes a hospital specific add-on percentage based on prior filed cost reports. The add-on percentage may be rebased at some time in the future. The Hospital is reimbursed at tentative rates with final settlements determined after submission of annual cost reports by the Hospital and reviews thereof by the Kansas Department of Health and Environment.

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

Approximately 65% and 64% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2022 and 2021, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

## Note 9: Pension Plan

The Hospital contributes to a defined contribution pension plan covering substantially all employees. Pension expense is recorded for the amount of the Hospital's required contributions, determined in accordance with the terms of the plan. The plan is administered by a board of trustees appointed by the Sheridan County Health Complex Board. The plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the Hospital's governing body. Contribution rates for plan members and the Hospital expressed as a percentage of covered payroll were 2.78% and 3.24% for 2022 and 2.77% and 3.75% for 2021, respectively. Contributions actually made by plan members and the Hospital aggregated $232,656 and $270,770 during 2022 and $217,967 and $294,504 during 2021, respectively. The Hospital does not control the plan assets.

The Hospital provides one additional defined contribution plan (457 plan), which only covers physicians. Contributions are only allowed to be made by the Hospital and aggregated approximately $4,361 and $25,977 during 2022 and 2021, respectively. The Hospital does not control the plan assets.

## Note 10: Contingencies

### *Litigation*

In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

## Note 11: COVID-19 Pandemic & *CARES Act* Funding

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

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

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

Because of these and other uncertainties, the Hospital cannot estimate the length or severity of the effect of the pandemic on the Hospital's business. Decreases in cash flows and 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, 2022 and 2021, the Hospital received $395,772 and $244,785 of distributions from the *CARES Act* Provider Relief Fund, respectively. These distributions from the Provider Relief Fund are not subject to repayment, provided the Hospital is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by HHS.

The Hospital accounts for such payments as voluntary nonexchange transactions. Payments are recognized as revenue once the applicable terms and conditions to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Hospital's operating revenues and expenses through December 31, 2022 and 2021, the Hospital recognized $242,628 and $2,534,848, respectively, related to the Provider Relief Fund, and these payments are recorded as noncapital grants and gifts, classified as nonoperating revenues in the accompanying statements of revenues, expenses and changes in net position. The Hospital paid back $0 and $1,260,579 of Provider Relief Funds for the years ended December 31, 2022 and 2021, respectively. The unrecognized amount of Provider Relief Fund distributions of $397,932 and $244,788 is recorded as a component of unearned revenue in the accompanying balance sheets at December 31, 2022 and 2021, respectively.

The Hospital will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the lasting effect of the pandemic on the Hospital's revenues and expenses. The terms and conditions governing the Provider Relief 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 requested accelerated Medicare payments as provided for in the *CARES Act*, which allows for eligible health care facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other health care providers. These amounts are expected to be recaptured by CMS according to the payback provisions.

During 2020, the Hospital received $2,168,140 from these accelerated Medicare payment requests. During the years ended December 31, 2022 and 2021, Medicare applied $1,356,562 and $811,528, respectively, from these accelerated Medicare payment requests against filed claims. The unapplied amount of accelerated Medicare payment requests is recorded under the caption advance from Medicare in the accompanying balance sheets and classified as a current and a long-term liability based upon payback provisions in effect at December 31, 2022 and 2021, respectively. There are no Medicare advanced payments outstanding at December 31, 2022.

### *Other COVID-19 Funding*

During 2022 and 2021, the Hospital received and recognized $55,237 and $345,498, respectively, related to additional awards from its Consolidated Health Centers Program grant that were to be used specifically towards COVID-19. The payment is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

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

During 2022 and 2021, the Hospital received $0 and $71,635 of funding through the SPARK program. The Hospital recognized $55,129 and $16,506, related to this funding at December 31, 2022 and 2021, 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 SPARK distributions of $0 and $55,129 is recorded as a component of unearned revenue in the accompanying balance sheets at December 31, 2022 and 2021, respectively.

## Note 12: Subsequent Events

As a result of the lasting impact of COVID-19, 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.

## Note 13: Future Change in Accounting Principle

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

# Supplementary Information

# Sheridan County Health Complex
## A Component Unit of Sheridan County, Kansas
### Net Patient Service Revenue
### Years Ended December 31, 2022 and 2021

| | 2022 | | |
|---|---|---|---|
| | Inpatient | Outpatient | Total |
| **Nursing, Dietary and Room Services** | | | |
| Acute hospital | $ 583,837 | $ 231,757 | $ 815,594 |
| Swing-bed and night care | 958,742 | - | 958,742 |
| Long-term care | 2,374,355 | - | 2,374,355 |
| Assisted living | 38,755 | - | 38,755 |
| | 3,955,689 | 231,757 | 4,187,446 |
| Operating room | 24,389 | 110,593 | 134,982 |
| Anesthesiology | - | 26,911 | 26,911 |
| Radiology | 133,311 | 1,139,594 | 1,272,905 |
| Laboratory | 290,479 | 1,186,067 | 1,476,546 |
| Physical therapy | 102,037 | 266,136 | 368,173 |
| Occupational therapy | 46,693 | 28,032 | 74,725 |
| Speech therapy | 1,580 | 3,216 | 4,796 |
| Respiratory therapy | 109,742 | 21,891 | 131,633 |
| Sleep study | - | 39,800 | 39,800 |
| Electrocardiology | 41,217 | 288,326 | 329,543 |
| Central supply | 162,285 | 112,685 | 274,970 |
| Pharmacy | 1,312,541 | 2,713,302 | 4,025,843 |
| Clinic | - | 110,931 | 110,931 |
| Emergency room | 13,042 | 673,970 | 687,012 |
| Treatment room | 18,347 | 247,795 | 266,142 |
| Dietary | - | 19,617 | 19,617 |
| FQHC | - | 2,339,409 | 2,339,409 |
| Lifeline | - | 2,542 | 2,542 |
| | $ 6,211,352 | $ 9,562,574 | 15,773,926 |
| **Contractual Allowance** | | | (4,665,386) |
| **Provision for Uncollectible Accounts** | | | (122,000) |
| **Net Patient Service Revenue** | | | $ 10,986,540 |

| 2021 | | |
|---|---|---|
| Inpatient | Outpatient | Total |
| $ 525,598 | $ 347,325 | $ 872,923 |
| 632,647 | - | 632,647 |
| 2,111,788 | - | 2,111,788 |
| 76,068 | - | 76,068 |
| 3,346,101 | 347,325 | 3,693,426 |
| 36,872 | 115,363 | 152,235 |
| - | 33,891 | 33,891 |
| 159,699 | 1,177,976 | 1,337,675 |
| 305,569 | 1,449,041 | 1,754,610 |
| 56,023 | 378,661 | 434,684 |
| 17,158 | 55,067 | 72,225 |
| 975 | 10,366 | 11,341 |
| 83,716 | 23,916 | 107,632 |
| - | - | - |
| 67,089 | 348,691 | 415,780 |
| 97,543 | 107,439 | 204,982 |
| 1,225,245 | 2,200,418 | 3,425,663 |
| - | 196,036 | 196,036 |
| 17,419 | 717,645 | 735,064 |
| 6,095 | 169,927 | 176,022 |
| - | 21,169 | 21,169 |
| - | 2,123,496 | 2,123,496 |
| - | 5,275 | 5,275 |
| $ 5,419,504 | $ 9,481,702 | 14,901,206 |
| | | (4,193,355) |
| | | (290,755) |
| | | $ 10,417,096 |

# Sheridan County Health Complex
## A Component Unit of Sheridan County, Kansas
### Contractual Allowances and Other Operating Revenues
### Years Ended December 31, 2022 and 2021

## Contractual Allowances

| | 2022 | 2021 |
|---|---|---|
| Medicare | $ 2,198,562 | $ 2,688,040 |
| Medicaid | 245,529 | 90,739 |
| Blue Cross | 1,309,216 | 773,967 |
| Commercial | 464,711 | 362,115 |
| Charity | 169,884 | 172,610 |
| Other | 277,484 | 105,884 |
| | $ 4,665,386 | $ 4,193,355 |

## Other Operating Revenues

| | 2022 | 2021 |
|---|---|---|
| Cafeteria sales | $ 52,447 | $ 53,974 |
| 340B drug savings program revenue | 356,609 | 357,344 |
| Other | 97,897 | 58,118 |
| | $ 506,953 | $ 469,436 |

# Sheridan County Health Complex
## A Component Unit of Sheridan County, Kansas
### Operating Expenses
### Years Ended December 31, 2022 and 2021

| | 2022 | | |
|---|---|---|---|
| | Salaries | Other | Total |
| Nursing service | $ 1,184,616 | $ 753,471 | $ 1,938,087 |
| Long-term care | 1,538,607 | 373,336 | 1,911,943 |
| Assisted living | - | 1,160 | 1,160 |
| Operating room | 7,861 | 36,517 | 44,378 |
| Anesthesia | - | 21,750 | 21,750 |
| Radiology | 336,732 | 309,503 | 646,235 |
| Laboratory | 158,087 | 619,960 | 778,047 |
| Physical therapy | 108,569 | 74,587 | 183,156 |
| Occupational therapy | 2,600 | 42,048 | 44,648 |
| Speech therapy | - | 6,219 | 6,219 |
| Respiratory therapy | 77,207 | 47,325 | 124,532 |
| Electrocardiology | - | 403 | 403 |
| Central supply | - | 58,965 | 58,965 |
| Pharmacy | 153,487 | 599,933 | 753,420 |
| Clinic | 83,762 | 36,901 | 120,663 |
| Emergency room | 467,712 | 116,034 | 583,746 |
| Treatment room | 151,149 | 8,770 | 159,919 |
| FQHC | 1,918,719 | 654,018 | 2,572,737 |
| Public Health | 72,526 | 45,078 | 117,604 |
| Depreciation - building and fixed equipment | - | 59,225 | 59,225 |
| Employee benefits | - | 2,027,129 | 2,027,129 |
| Purchasing | 56,302 | 6,101 | 62,403 |
| Business office | 222,067 | 107,449 | 329,516 |
| Administrative and general | 674,433 | 636,417 | 1,310,850 |
| Plant operation and maintenance | 144,551 | 206,769 | 351,320 |
| Laundry and linen | 61,431 | 11,730 | 73,161 |
| Housekeeping | 102,899 | 24,555 | 127,454 |
| Dietary | 435,555 | 201,450 | 637,005 |
| Nursing administration | 221,971 | 7,898 | 229,869 |
| Medical records | 84,106 | 68,232 | 152,338 |
| Social service | 19,773 | 111 | 19,884 |
| Activities | 81,316 | 5,477 | 86,793 |
| Wellness Center | - | - | - |
| | $ 8,366,038 | $ 7,168,521 | $ 15,534,559 |

| 2021 | | |
|---|---|---|
| Salaries | Other | Total |
| $ 888,542 | $ 860,584 | $ 1,749,126 |
| 1,477,361 | 621,559 | 2,098,920 |
| - | 1,450 | 1,450 |
| 26,484 | 43,728 | 70,212 |
| - | 33,555 | 33,555 |
| 335,137 | 343,677 | 678,814 |
| 121,850 | 774,626 | 896,476 |
| 123,703 | 58,997 | 182,700 |
| - | 50,038 | 50,038 |
| - | 13,802 | 13,802 |
| 55,329 | 36,602 | 91,931 |
| - | 502 | 502 |
| - | 39,341 | 39,341 |
| 150,686 | 396,450 | 547,136 |
| 115,953 | 47,656 | 163,609 |
| 384,035 | 320,705 | 704,740 |
| 97,686 | 4,528 | 102,214 |
| 1,966,941 | 726,268 | 2,693,209 |
| 23,474 | 22,615 | 46,089 |
| | | |
| - | 63,728 | 63,728 |
| - | 1,856,804 | 1,856,804 |
| 65,437 | 7,436 | 72,873 |
| 272,596 | 104,147 | 376,743 |
| 603,896 | 535,066 | 1,138,962 |
| 206,070 | 189,026 | 395,096 |
| 64,937 | 11,905 | 76,842 |
| 78,642 | 23,926 | 102,568 |
| 452,878 | 202,181 | 655,059 |
| 172,950 | 8,047 | 180,997 |
| 97,174 | 88,367 | 185,541 |
| 22,377 | 897 | 23,274 |
| 55,803 | 7,627 | 63,430 |
| - | 823 | 823 |
| $ 7,859,941 | $ 7,496,663 | $ 15,356,604 |

# Sheridan County Health Complex
## A Component Unit of Sheridan County, Kansas
### Schedule of Expenditures of Federal Awards
### Year Ended December 31, 2022

| Federal Grantor/Pass-through Grantor/Program or Cluster Title | Federal Assistance Listing Number | Pass-through Entity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|---|---|---|---|---|
| U.S. Department of Health and Human Services/Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care), Health Center Program Cluster | 93.224 | | $ - | $ 544,184 |
| U.S. Department of Health and Human Services/COVID-19 - Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care), Health Center Program Cluster | 93.224 | | - | 55,237 |
| Total for CFDA 93.224 | | | - | 599,421 |
| U.S. Department of Health and Human Services/Grants for New and Expanded Services under the Health Center Program, Health Center Program Cluster | 93.527 | | - | 1,113,255 |
| Total Health Center Program Cluster | | | - | 1,712,676 |
| U.S. Department of Health and Human Services/Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement | 93.912 | | - | 227,532 |
| U.S. Department of Health and Human Services/Kansas Department of Health and Environment/Small Rural Hospital Improvement Program | 93.301 | None | - | 267,748 |

# Sheridan County Health Complex
## A Component Unit of Sheridan County, Kansas
### Schedule of Expenditures of Federal Awards (Continued)
### Year Ended December 31, 2022

| Federal Grantor/Pass-through Grantor/Program or Cluster Title | Federal Assistance Listing Number | Pass-through Entity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|---|---|---|---|---|
| U.S. Department of Agriculture/Community Facilities Loans and Grants Cluster | 10.766 | | $ - | $ 2,250,000 |
| U.S. Department of the Treasury/Kansas Department of Health and Environment/ COVID-19 - Coronavirus State and Local Fiscal Recovery Fund | 21.027 | None | - | 55,129 |
| Federal Communications Commission/COVID-19 Telehealth Program | 32.006 | | - | 138,215 |
| | | | $ - | $ 4,651,300 |

# Sheridan County Health Complex
## A Component Unit of Sheridan County, Kansas
### Notes to the Schedule of Expenditures of Federal Awards
### Year Ended December 31, 2022

***Notes to Schedule:***

1. The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal awards activity of Sheridan County Health Complex under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Sheridan County Health Complex, it is not intended to and does not present the financial position, changes in net position or cash flows of Sheridan County Health Complex.

2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Hospital has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. Sheridan County Health Complex issued the 2019B Bonds to fund the Acute wing remodel project. The 2019B Bonds provide temporary financing through the construction period and the United States Department of Agriculture (USDA) will provide the permanent financing through a direct loan, which is to not to exceed $2,250,000, as part of their Rural Development Program. The 2019B Bonds were paid off in March 2022 with the issuance of the 2022A Bonds. The balance outstanding at December 31, 2022, of the 2022A Bonds, is $2,250,000, as reported in Sheridan County Health Complex's balance sheet. Loans outstanding at the beginning of the year were $2,250,000. Expenditures incurred and paid from the 2019B Bonds funds as of December 31, 2022, was $2,250,000.

4. Sheridan County Health Complex did not receive any donated Personal Protective Equipment (PPE) during the year ended December 31, 2022, (Unaudited).

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# 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*

## Independent Auditor's Report

Board of Trustees
Sheridan County Health Complex
Hoxie, Kansas

We have audited, 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 (*Government Auditing Standards*), and the *Kansas Municipal Audit and Accounting Guide*, the financial statements of Sheridan County Health Complex (Hospital), a component unit of Sheridan County, Kansas, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated May 22, 2023, which contained a paragraph regarding omission of management's discussion and analysis.

### Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Hospital's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FORVIS, LLP

Wichita, Kansas
May 22, 2023

FORVIS

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# Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

## Independent Auditor's Report

Board of Trustees
Sheridan County Health Complex
Hoxie, Kansas

### Report on Compliance for Each Major Federal Program

#### *Opinion on Each Major Federal Program*

We have audited Sheridan County Health Complex's (Hospital) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Sheridan County Health Complex's major federal programs for the year ended December 31, 2022. The Hospital's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Sheridan County Health Complex complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

#### *Basis for Opinion on Each Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of Sheridan County Health Complex and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Sheridan County Health Complex's compliance with the compliance requirements referred to above.

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***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Sheridan County Health Complex's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Sheridan County Health Complex's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Sheridan County Health Complex's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, 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 Sheridan County Health Complex's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Sheridan County Health Complex's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Sheridan County Health Complex's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Report on Internal Control Over Compliance**

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

FORVIS, LLP

Wichita, Kansas
May 22, 2023

# Sheridan County Health Complex
## A Component Unit of Sheridan County, Kansas
### Schedule of Findings and Questioned Costs
### Year Ended December 31, 2022

**Section I – Summary of Auditor's Results**

*Financial Statement*

1. The type of report the auditor issued on whether the financial statement audited was prepared in accordance with GAAP:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. Internal control over financial reporting:

   | | | |
   |---|---|---|
   | Significant deficiency(ies) identified? | ☐ Yes | ☒ None reported |
   | Material weakness(es) identified? | ☐ Yes | ☒ No |

3. Noncompliance material to the financial statements noted? ☐ Yes ☒ No

*Federal Awards*

4. Internal control over major federal awards programs:

   | | | |
   |---|---|---|
   | Significant deficiency(ies) identified? | ☐ Yes | ☒ None reported |
   | Material weakness(es) identified? | ☐ Yes | ☒ No |

5. Type of auditor's report issued on compliance for major federal programs:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

6. Any audit findings disclosed that are required to be reported by 2 CFR 200.516(a)? ☐ Yes ☒ No

# Sheridan County Health Complex
## A Component Unit of Sheridan County, Kansas
### Schedule of Findings and Questioned Costs (Continued)
### Year Ended December 31, 2022

7. Identification of major federal programs:

| Assistance Listing Number | Name of Federal Program or Cluster |
|---|---|
| | |
| 93.224 and 93.527 | Health Center Program Cluster |
| 10.766 | Community Facilities Guaranteed Loan Program |

8. Dollar threshold used to distinguish between Type A and Type B programs: $750,000.

9. Auditee qualified as a low-risk auditee? ☒ Yes ☐ No

**Section II – Financial Statement Findings**

| Reference Number | Finding | Questioned Costs |
|---|---|---|

No matters are reportable.

**Section III – Federal Award Findings and Questioned Costs**

| Reference Number | Finding | Questioned Costs |
|---|---|---|

No matters are reportable.

# Sheridan County Health Complex
## A Component Unit of Sheridan County, Kansas
### Summary Schedule of Prior Audit Findings
### Year Ended December 31, 2022

| Reference Number | Summary of Finding | Status |
|---|---|---|
| | No matters are reportable. | |