LOGAN COUNTY HOSPITAL
d/b/a LOGAN COUNTY HEALTH SERVICES

A COMPONENT UNIT OF LOGAN COUNTY, KANSAS

FINANCIAL STATEMENTS

and

ADDITIONAL INFORMATION

with

INDEPENDENT AUDITOR'S REPORT

YEARS ENDED DECEMBER 31, 2021 AND 2020

GBN, P.A.
Certified Public Accountants

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GBN, P.A.

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Logan County Hospital
d/b/a Logan County Health Services
Oakley, Kansas

Opinions

We have audited the accompanying financial statements of Logan County Hospital (Hospital), a component unit of Logan County, Kansas, as of and for the years ended December 31, 2021 and 2020, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of Logan County Hospital, as of December 31, 2021 and 2020, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 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 the Hospital's ability to continue as a going concern for twelve 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 opinions. 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 generally accepted 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 generally accepted 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

Accounting principles generally accepted in the United States of America require that the pension and other postemployment benefits information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted 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.

GBN, P.A.

Wichita, Kansas
May 25, 2022

Logan County Hospital
d/b/a Logan County Health Services
A Component Unit of Logan County Kansas

Statements of Net Position

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	December 31, 2021	December 31, 2020
Current assets:		
Cash and cash equivalents (Notes 1 and 3)	$ 2,706,025	$ 3,117,903
Accounts receivable, net of allowance for doubtful accounts of $1,515,225 in 2021 and $1,489,884 in 2020 (Notes 1 and 4)	2,875,336	1,649,767
Estimated third-party payor settlements (Note 2)	-	738,978
Inventories (Note 1)	353,140	368,481
Taxes receivable	-	-
Prepaid expenses and other	258,760	149,122
Total current assets	6,193,261	6,024,251
Noncurrent cash	3,225,438	4,059,424
Capital assets (Notes 1 and 5):		
Land	53,181	53,181
Land improvements	74,230	74,230
Buildings and fixed equipment	6,091,984	6,053,384
Movable equipment	5,247,099	4,741,323
Construction in process	55,189	-
	11,521,683	10,922,118
Less accumulated depreciation	8,157,823	7,625,637
Total capital assets, net of accumulated depreciation	3,363,860	3,296,481
Deferred outflows of resources:		
Pension (Notes 1 and 8)	1,405,108	1,746,680
Other post employment benefits (Notes 1 and 7)	292,988	158,211
Total deferred outflows of resources	1,698,096	1,904,891
Total assets and deferred outflows of resources	$ 14,480,655	$ 15,285,047

The accompanying notes are an integral part of these financial statements.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	December 31, 2021	December 31, 2020
Current liabilities:		
Accounts payable	$ 328,872	$ 346,665
Salaries and wages payable	643,699	706,305
Accued compensated absences	392,124	405,382
Current portion of capital lease obligations (Note 6)	127,300	132,926
Estimated amounts due to third-party payers (Note 2)	200,086	-
Other accrued liabilities	11,690	8,985
SBA PPP loan payable (Note 11)	-	1,322,000
Medicare Accelerated payments	1,485,123	2,624,569
Unearned CARES Act revenue (Note 11)	216,889	116,888
Unearned revenue	27,257	28,756
Total current liabilities	3,433,040	5,692,476
Long-term liabilities		
Capital lease obligations (Notes 1 and 6)	281,398	163,915
Net pension liability (Notes 1 and 8)	4,001,926	6,133,841
Net other postemployment benefits liability (Notes 1 and 7)	543,458	391,216
Total long-term liabilities	4,826,782	6,688,972
Total liabilities	8,259,822	12,381,448
Deferred inflows of resources:		
Pension plan (Notes 1 and 8)	1,962,832	534,273
Other postemployment benefits (Notes 1 and 7)	28,115	32,404
Total deferred inflows of resources	1,990,947	566,677
Net position (deficit) (Notes 1 and 8)		
Net investment in capital assets	2,955,162	2,999,640
Unrestricted	1,274,724	(662,718)
Total net position	4,229,886	2,336,922
Total liabilities, deferred inflows of resources and net position	$ 14,480,655	$ 15,285,047

Logan County Hospital
d/b/a Logan County Health Services
A Component Unit of Logan County, Kansas

Statements of Revenues, Expenses, and Changes In Net Position

	Year ended December 31,	
	2021	2020
Operating revenues:		
Net patient service revenue	$ 11,848,432	$ 9,621,500
Other	1,532,999	1,290,393
Total operating revenues	13,381,431	10,911,893
Operating expenses:		
Salaries and wages	7,386,517	6,804,210
Employee benefits	1,520,264	1,751,209
Supplies and other	4,285,482	3,559,865
Depreciation	532,186	496,948
Total operating expenses	13,724,449	12,612,232
Operating loss	(343,018)	(1,700,339)
Nonoperating revenues (expenses):		
Intergovernmental revenue - Logan County	-	348,772
CARES Act grant revenue	561,138	3,857,498
PPP loan program	1,322,000	-
Noncapital grants and contributions	349,731	167,808
Loss on disposal of capital assets	-	(283,751)
Interest income	28,469	24,986
Interest expense	(25,356)	(16,718)
Total nonoperating revenues	2,235,982	4,098,595
Increase in net position	1,892,964	2,398,256
Net position (deficit), beginning of year	2,336,922	(61,334)
Net position, end of year	$ 4,229,886	$ 2,336,922

The accompanying notes are an integral part of these financial statements.

Logan County Hospital
d/b/a Logan County Health Services
A Component Unit of Logan County Kansas

Statements of Cash Flows

	Year ended December 31, 2021	Year ended December 31, 2020
Cash flows from operating activities:		
Receipts from and on behalf of patients	$ 10,420,982	$ 11,560,427
Payments to suppliers and contractors	(4,394,867)	(3,574,973)
Payments to employees	(9,331,253)	(8,335,059)
Other receipts and payments, net	1,532,999	1,290,393
Net cash provided (used) by operating activties	(1,772,139)	940,788
Cash flows from noncapital financing activities:		
Noncapital appropriations - Logan County	-	348,772
CARES Act	661,139	3,974,386
Noncapital grants and contributions	349,731	167,808
Net cash provided by noncapital financing activities	1,010,870	4,490,966
Cash flows from capital and related financing activities:		
Principal paid on capital leases	(167,180)	(144,229)
Proceeds from PPP loan	-	1,322,000
Interest paid on capital leases	(25,356)	(16,718)
Purchase of capital assets	(320,528)	(374,125)
Net cash provided (used) by capital and related financing activities	(513,064)	786,928
Cash flows from investing activities:		
Interest on investments	28,469	24,986
Net cash provided by investing activties	28,469	24,986
Increase (decrease) in cash	(1,245,864)	6,243,668
Cash, beginning of year	7,177,327	933,659
Cash, end of year	$ 5,931,463	$ 7,177,327
Reconciliation of cash to the balance sheets		
Cash in current assets	$ 2,706,025	$ 3,117,903
Noncurrent cash	3,225,438	4,059,424
Total cash	$ 5,931,463	$ 7,177,327

The accompanying notes are an integral part of these financial statements.

	Year ended December 31,	
	2021	2020
Reconcliation of operating loss to net cash used by operating activities:		
Operating loss	$ (343,018)	$ (1,700,339)
Adjustments to reconcile operating loss:		
Depreciation and amortization	532,186	496,948
Provision for bad debts	622,240	962,615
Net (increases) decreases in operating assets and liabilities:		
Accounts receivable	(2,988,754)	2,045,906
Inventories	15,341	(87,025)
Estimated amounts from third-party payor	738,978	(738,978)
Taxes receivable	-	39,691
Prepaid expenses and other	(109,638)	(29,643)
Accounts payable and accrued expenses	(90,952)	125,092
Estimated amounts due to third party payors	200,086	(330,616)
Net pension liability	(2,131,915)	728,693
Total other postemployement benefits liability	152,242	(14,007)
Defferred outflows of resources -pension and OPEB	206,795	(685,268)
Defferred inflows of resources - pension and OPEB	1,424,270	127,719
Net Cash provided (used) in operating activities	$ (1,772,139)	$ 940,788

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations and reporting entity

Logan County Hospital (the Hospital) is an acute care hospital located in Oakley, Kansas. The Hospital is doing business as Logan County Health Services. The Hospital is a component unit of Logan County, Kansas (Logan County). The Hospital is governed by the Board of Trustees, which are appointed by the Board of County Commissioners of Logan County. The Hospital primarily earns revenues by providing inpatient, outpatient, emergency care services to patients in the Logan County area.

Basis of accounting and presentation

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

The Hospital prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Operating revenues and expenses

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

Net patient service revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors, and a provision for uncollectible accounts. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Patient accounts receivable

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

Inventories

Inventories of supplies are stated at the lower of cost or market. Cost is determined by the first-in, first-out method.

Capital assets

The Hospital's capital assets that are $5,000 or greater, are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. All capital assets other than land are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using the following estimated useful lives:

Land improvements	10-20 years
Buildings	15-40 years
Fixed equipment	5-20 years
Major moveable equipment	3-20 years

The costs of maintenance and repairs are charged to operating expenses as incurred. The costs of significant additions, renewals and betterments to depreciable properties are capitalized and depreciated over the remaining or extended estimated useful lives of the item or the properties. When depreciable property is retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is reflected as non-operating revenue (expense).

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. The Hospital provided $82,714 and $84,995 of charity care for the years ended December 31, 2021 and 2020, respectively estimated by multiplying the Hospital's cost to charge ratio by the gross uncompensated care charges associated with providing care to charity patients.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants and contributions

From time to time, the Hospital receives grants and contributions from government agencies, private organizations, and individuals. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses. When the Hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital's policy to use restricted resources before unrestricted resources.

Net position

Net assets of the Hospital are classified into two components. *Net investment in capital assets* consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Unrestricted net position* are remaining assets plus deferred outflows of resources less remaining liabilities plus deferred inflows of resources that do not meet the definition of *net investment in capital assets*.

Compensated absences

Employees of the Hospital are entitled to paid time off (PTO) depending on their length of service with the Hospital. Employees classified full time and part time are eligible to accumulate PTO beginning with the first day of work. However, no PTO can be used or taken during an employee's initial introductory period The introductory period is defined as the first 90 days of employment. Employees can carry forward any number of PTO hours from year to year and may accumulate a maximum of 500 hours of PTO during employment. When an employee's PTO account reaches 500 hours, accumulation of PTO will cease until such time as the account is brought under 500 hours. PTO may be "sold back" to the hospital anytime and any number of times in a calendar year upon approval of the administrator at a rate of ½ the employee's normal rate of pay.

Upon resignation of employment, any earned PTO not used will be paid to the employee in a lump sum with his or her final pay check. The CEO may approve up to a three check payout in situations where there is a great amount of PTO to be paid. Additionally, if an employee is terminated, gives less than 14 calendar days notice of his or her resignation, or a department head gives less than 30 calendar days notice of resignation, no PTO benefits will be paid. Employees may not delay the effective date of resignation in order to receive PTO benefits paid out over a period of time.

Cash and cash equivalents

Cash and cash equivalents include cash, money market and NOW accounts with maturities of three months or less.

Noncurrent Cash

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

Taxation

The Hospital is a component unit of Logan County, a political subdivision of the State of Kansas and as such, is exempt from Federal income taxes under Section 115 of the Internal Revenue Code.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Risk management

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

The Hospital is self-insured for a portion of its exposure to risk of loss from medical malpractice and employee health claims. Annual estimated provisions are accrued for the self-insured portion of medical malpractice and employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Deferred inflows of resources/Deferred outflows of resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense or reduction of a liability) until that time. Deferred outflows of resources consist of pension and other post employment benefits (OPEB) items not yet charged to expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

The Hospital reports decreases in net position that relate to future periods as deferred inflows of resources in a separate section of its statements of net position. Deferred inflows of resources consist of pension and OPEB items not yet credited to expense.

Pension and other postemployment benefit (OPEB) plans

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

Reclassifications

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

2. ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS

The Hospital has agreements with third-party payors 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, and is paid for inpatient acute care, skilled swing-bed and outpatient services rendered to Medicare program beneficiaries at one hundred one percent (101%) of actual cost subject to certain limitations. Medicare Rural Health Clinic services are reimbursed under a cost-based methodology. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare Administrative Contractor. Beginning April 1, 2013, a mandatory payment reduction, known as sequestration, of 2% went into effect. Under current legislation, sequestration is scheduled to last until 2027. However, on March 27, 2020, the CARES Act temporarily suspended the Medicare program from the effects of the sequestration. This suspension, effective May 1, 2020, was applicable through March 31, 2022.

2. ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS (continued)

The Hospital's Medicare cost reports have been reviewed by the Medicare fiscal intermediary through December 31, 2018.

- **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 at a prospective rate, with annual cost reports submitted to the Medicaid program. Effective July 1, 2016, rates are computed using an average of the three most recent filed calendar 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. Due to certain financial and clinical criteria, the Hospital also receives Medicaid Disproportionate Share (DSH) funding. DSH payments received were $188,080 and $166,884 in 2021 and 2020, respectively.

Net patient service revenue from participation in the Medicare program was approximately 61% and 63% in 2021 and 2020, respectively. Laws and regulations governing the Medicare program 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 other third-party payor programs. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges and cost reimbursement.

3. CASH AND INVESTED CASH

Cash and invested cash consisted of the following:

	December 31,	
	2021	2020
Cash and cash equivalents:		
Cash on hand	$ 1,120	$ 1,120
Demand deposit accounts	2,704,905	3,116,786
	2,706,025	3,117,903
Board of Trustees Funds:		
Time deposit accounts	3,225,438	4,059,424
	$ 5,931,463	$ 7,177,327

Deposits

The Hospital's policy follows applicable State statutes and requires deposits to be 100% secured by collateral (pledged securities) valued at market, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. State statutes define the allowable pledged securities. Custodial credit risk for deposits is the risk that in the event of bank failure, the Hospital's deposits may not be returned to the Hospital or the Hospital will be unable to recover the collateral securities in the possession of an outside party.

At December 31, 2021, the carrying amount of the Hospital's deposits, which approximates fair value, was $5,930,343 with the bank balances of such accounts being $6,075,511. Of the bank balances, $757,868 was secured by federal depository insurance, $2,278,748 was covered by a line of credit and the remaining balance of $3,038,895 was secured by collateral held by the Hospital's custodial banks in joint custody in the name of the Hospital and its banks. The fair value of those pledged securities held by the Hospital's custodial banks was $3,430,722 at December 31, 2021. The remaining carrying amount of the Hospital's cash and investments at December 31, 2021 consisted of cash on hand of $1,120.

3. CASH AND INVESTED CASH (continued)

Investment policies

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Hospital's investing activities are managed under the custody of the Hospital Chief Executive Officer. Investing is performed in accordance with investment policies adopted by the Board of Trustees and in compliance with State statutes.

Applicable state statutes authorize the Hospital to invest in (1) temporary notes or no-fund warrants issued by the Hospital (2) time deposit, open accounts or certificates of deposit, with maturities of not more than two years, in commercial banks; (3) time certificates of deposit, with maturities of not more than two years, with state or federally chartered savings and loan associations or federally chartered savings banks, (4) repurchase agreements with commercial banks, state or federally chartered savings and loan associations or federally chartered savings banks; (5) United States treasury bills or notes with maturities as the governing body shall determine, but not exceeding two years; (6) the municipal investment pool maintained by the State Treasurer's office, and (7) trust departments of commercial banks.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Hospital's policies provide that to the extent practicable, investments are matched with anticipated cash flows.

4. CONCENTRATIONS OF CREDIT RISK

The Hospital is a provider of health care services and is located in the City of Oakley, Kansas. The Hospital grants credit without collateral to its patients, most of whom are local area residents and some are insured under third-party payor agreements. The mix of receivables from patients and third-party payors is as follows:

	December 31,	
	2021	2020
Medicare	$ 1,353,755	$ 703,062
Medicaid	29,628	8,846
Other third-party payors	941,609	522,695
Patients	2,065,569	1,905,048
Gross accounts receivable	4,390,561	3,139,651
Less allowance for doubtful accounts	1,515,225	1,489,884
	$ 2,875,336	$ 1,649,767

5. CAPITAL ASSETS

Capital asset additions, disposals, transfers, and balances for the years ended December 31, 2021 and 2020 were as follows:

	2021				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	$ 53,181	$ –	$ –	$ –	$ 53,181
Construction in progress	–	55,189	–	–	55,189
Total capital assets not being depreciated:	53,181	55,189	–	–	108,370
Capital assets being depreciated:					
Land improvements	74,230	–	–	–	74,230
Buildings	6,053,384	38,600	–	–	6,091,984
Equipment	4,741,323	505,776	–	–	5,247,099
Total capital assets being depreciated	10,868,937	544,376	–	–	11,413,313
Less accumulated depreciation for:					
Land improvements	74,230	–	–	–	74,230
Buildings	3,759,517	237,914	–	–	3,997,431
Equipment	3,791,890	294,272	–	–	4,086,162
Total accumulated depreciation	7,625,637	532,186	–	–	8,157,823
Total capital assets being depreciated, net	3,243,300	12,190	–	–	3,255,490
Total capital assets, net	$ 3,296,481	$ 67,379	$ –	$ –	$ 3,363,860

5. CAPITAL ASSETS (continued)

	2020				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	$ 53,181	$ –	$ –	$ –	$ 53,181
Construction in progress	–	–	–	–	–
Total capital assets not being depreciated:	53,181	–	–	–	53,181
Capital assets being depreciated:					
Land improvements	74,230	–	–	–	74,230
Buildings	6,641,248	–	587,864	–	6,053,384
Equipment	4,598,358	427,625	284,660	–	4,741,323
Total capital assets being depreciated	11,313,836	427,625	872,524	–	10,868,937
Less accumulated depreciation for:					
Land improvements	74,230	–	–	–	74,230
Buildings	3,879,105	244,862	364,450	–	3,759,517
Equipment	3,764,127	252,086	224,323	–	3,791,890
Total accumulated depreciation	7,717,462	496,948	588,773	–	7,625,637
Total capital assets being depreciated, net	3,596,374	(69,324)	283,751	–	3,243,300
Total capital assets, net	$ 3,649,555	$ (69,323)	$ 283,751	$ –	$ 3,296,481

6. MEDICAL MALPRACTICE COVERAGE AND CLAIMS

The Hospital purchases medical malpractice insurance, which provides $200,000 of coverage for each medical incident and $600,000 of aggregate coverage for each policy year. The policy 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 American require a health care provider to accrue the expenses of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional services 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.

6. LONG-TERM LIABILITIES

The following is a summary of the transactions for long-term liabilities for the years ended December 31, 2021 and 2020:

	2021				
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Capital lease obligations	$ 296,842	$ 279,037	$ 167,181	$ 408,698	$ 127,300

	2020				
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Capital lease obligations	$ 387,570	$ 53,000	$ 144,428	$ 296,842	$ 132,926

Capital Lease Obligations

The Hospital is obligated under leases for equipment that are accounted for as capital leases. Assets under capital leases at December 31, 2021 and 2020, totaled $1,037,814 and $1,095,072, respectively; net of accumulated depreciation of $614,035 and $816,430, respectively. The following is a schedule by year of future minimum lease payments under the capital lease including interest at rates of 1.5% to 7.00% together with the present value of the future minimum lease payments as of December 31, 2021:

Year ending December 31,	
2022	$ 146,789
2023	99,895
2024	80,039
2025	67,398
2026	54,813
2027	9,135
Total minimum lease payments	458,069
Less amount representing interest	49,371
Present value of net minimum lease payments	$ 408,698
Less current portion	127,300
Long-term portion	$ 281,398

7. OTHER POST EMPLOYMENT BENEFITS

KPERS Death and Disability OPEB Plan

Plan description

The Hospital participates in an agent multiple-employer defined benefit other postemployment benefit (OPEB) plan which is administered by KPERS. The Plan provides long-term disability benefits and life insurance benefits for disabled KPERS members, as provided by K.S.A. 74-04927. The Plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. However, because the trust's assets are used to pay employee benefits other than postemployment benefits (OPEB), no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. There is no stand-alone financial report for the Plan. Accordingly, the Plan is considered to be administered on a pay-as-you-go basis.

Benefits provided

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

Long-term disability benefit

The monthly benefit is 60% of the member's monthly compensation, with a minimum of $100 and a maximum of $5,000. The monthly benefit is subject to reduction by deductible sources of income, which include Social Security primary disability or retirement benefits, worker's compensation benefits, other disability benefits from any other source by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while disability continues until the member's 65th birthday or retirement date, whichever occurs first. If the disability occurs after age 60, benefits are payable while the disability continues, for a period of 5 years or until the member retires, whichever occurs first. Benefit payments for disabilities caused or contributed to by substance abuse or non-biologically based mental illnesses are limited to the term of the disability or 24 months per lifetime, whichever is less. There are no automatic cost-of-living increase provisions. KPERS has the authority to implement an ad hoc cost-of-living increase.

Group waiver of premium benefit

Upon the death of an employee who is receiving monthly disability benefits, the plan will pay a lump-sum benefit to eligible beneficiaries. The benefit amount will be 150% of the greater of the member's annual rate of compensation at the time of the disability or the member's previous 12 months of compensation at the time of the last date of payroll. If the member has been disabled for 5 or more years, the annual compensation or salary rate at the time of death will be indexed using the consumer price index before the life insurance benefit is computed. The indexing is based on the consumer price index, less one percentage point, to compute the death benefit. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, the member may be eligible to receive up to 100% of the death benefits rather than having the benefit paid to the beneficiary. If a member retires or disability benefits end, the member may convert the group life insurance coverage to an individual life insurance plan.

7. OTHER POST EMPLOYMENT BENEFITS (continued)

Members covered by benefit terms

The following members were covered by the benefit terms as of December 31:

	2021	2020
Active employees	99	120
Disabled employees	3	3
	102	123

Total OPEB liability

At December 31, 2021 and 2020, the Hospital reported a total OPEB liability of $543,458 and $391,216, respectively.

Actuarial assumptions and other inputs

The total OPEB liability was determined by actuarial valuations as of December 31, 2020 and 2019, which were then rolled forward to June 30, 2021 and 2020, respectively, using the following actuarial assumptions:

	2021	2020
Price inflation	2.75%	2.75%
Wage inflation	3.50%	3.00%
Salary increases, including price inflation	3.50 to 10.00%	3.50 to 10.00%
Discount rate	2.16%	2.21%

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Mortality rates were based on the RP-2014 Mortality tables, as appropriate, with adjustments for mortality improvements based on Scale MP-2021.

The actuarial assumptions used in the December 31, 2021 and 2020 valuations were based on an actuarial experience study conducted for the period December 31, 2016 through December 31, 2018.

Changes in the total OPEB liability

	June 30, 2021	June 30, 2020
Changes for the year:		
Service cost	$ 27,602	$ 26,994
Interest cost	8,293	14,137
Difference between expected and actual experience	203,196	(12,984)
Changes in assumptions or other inputs	805	14,955
Benefit payments	(87,654)	(57,109)
Net changes	152,242	(14,007)
Net OPEB liability at beginning of year	391,216	405,223
Net OPEB liability at end of year	$ 543,458	$ 391,216

Changes in assumptions

Changes in assumptions and other inputs reflect the effects of changes in the discount rate for each period. The discount rate decreased from 2.21% in 2020 to 2.16% in 2021.

7. OTHER POST EMPLOYMENT BENEFITS (continued)

Sensitivity of the total OPEB liability to changes in the discount rate and health care cost trend rates

The following presents the total OPEB liability of the Hospital, as well as what the Hospital's total OPEB liability would be if it were calculated using the appropriate discount rates for 2021 and 2020, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate for each year, respectively:

	1.00% Decrease (1.16%)	Current Discount Rate (2.16%)	1.00% Increase (3.16%)
Hospital District's total OPEB liability (2021)	$ 559,614	$ 543,458	$ 527,428

	1.00% Decrease (1.21%)	Current Discount Rate (2.21%)	1.00% Increase (3.21%)
Hospital District's total OPEB liability (2020)	$ 401,305	$ 391,216	$ 380,654

The total OPEB liability of the Hospital is not impacted by health care cost trend rates given the nature of the benefits provided by the OPEB plan, and as such no sensitivity tables were prepared for the health care cost trend rates.

OPEB expense

For the year ended December 31, 2021 and 2020, the Hospital recognized OPEB expense of $13,176 and $2,221, respectively, which includes the changes in the total OPEB liability and the amortization of deferred outflows of resources and deferred inflows of resources for the period.

Deferred outflows of resources and deferred inflows of resources

The following is a summary of the collective deferred outflows or resources and deferred inflows of resources related to the OPEB plan at December 31:

	2021	2020
Deferred outflows of resources:		
Benefit payments subsequent to the measurement date	$ –	$ 30,419
Differences between expected and actual experience	277,006	110,529
Changes of assumptions	15,982	17,263
	$ 292,988	$ 158,211
Deferred inflows of resources:		
Differences between expected and actual experience	$ (21,474)	$ (24,439)
Changes of assumptions	(6,641)	(7,965)
	$ (28,115)	$ (32,404)

7. OTHER POST EMPLOYMENT BENEFITS (continued)

The following table provides the deferred outflows of resources and deferred inflows of resources as of December 31, 2021, that will be recognized in OPEB expense in future years.

	Benefit Payments Subsequent to the Measurement Date	Recognition of Net Deferred Outflows and Inflows of Resources By Year	Total
Year ending December 31:			
2022	$ –	$ (34,516)	$ (34,516)
2023	–	(34,516)	(34,516)
2024	–	(34,516)	(34,516)
2025	–	(34,516)	(34,516)
2026	–	(34,797)	(34,797)
Thereafter	–	(92,012)	(92,012)
	–	$ (264,873)	$ (264,873)

Group Health Insurance Plan

As provided by K.S.A. 12-5040, the Hospital is required to allow retirees to participate in its group health insurance plan. While each retiree is required to pay the full amount of the applicable premium, conceptually, the Hospital would be subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy, if any, has not been quantified in these financial statements. It is management's opinion that the effect on the Hospital's financial statements is not significant. The Hospital provides no other post-employment benefits, other than a retirement plan, for former employees.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Hospital makes health care benefits available to eligible former employees and their eligible dependents. Certain requirements are outlined by the federal government for this coverage.

8. PENSION PLAN

Plan description

The Hospital participates in the Kansas Public Employees Retirement System, a cost sharing multiple employer defined benefit pension plan. The Pension Plan is administered by the Kansas Public Employees Retirement System (KPERS), a body corporate and an instrumentality of the State of Kansas. KPERS provides benefit provisions to the following statewide pension groups under one plan, as provided by K.S.A. 74-4901 *et. seq.*:

Public employees, which includes:

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

Substantially all public employees in Kansas are covered by the Pension Plan. Participant by local political subdivisions is optional, but irrevocable once elected. The Hospital's employees participate in the local group.

The KPERS plan is a cost-sharing, multiemployer, defined benefit plan. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS, 611 S. Kansas Avenue, Suite 100, Topeka, Kansas 66603-3869, by calling 1-888-275-5737 or via KPERS website at www.kpers.org.

8. PENSION PLAN (continued)

Benefits provided

KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. Members with ten or more years of credited service may retire as early as age 55, with an actuarially reduced monthly benefit. Normal retirement is at age 65, 62 with ten years of credited service, or whenever a member's combined age and years of service equal 85 "points".

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

Members choose one of seven payment options for their monthly retirement benefits. At retirement a member may receive a lump-sum payment of up to 50% of the actuarial present value of the member's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas.

The 2012 Legislature made changes affecting new hires, current members and employers. A new cash balance retirement plan (KPERS 3) was created for new hires starting after January 1, 2015. Normal retirement age for KPERS 3 is 65 with five years of service or 60 with 30 years of service. Early retirement is available at age 55 with ten years of service, with a reduced benefit. Monthly benefit options are an annuity benefit based on the account balance at retirement.

For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74 4922.

Contributions

Member contributions are established by state law, and are paid by the employee according to the provisions of Section 414(h) of the Internal Revenue Code. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a Tier 1, Tier 2 or Tier 3 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009 through December 31, 2014, and Tier 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate of 6% of covered salary for Tier 1, Tier 2 and Tier 3 members. Member employee contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for Tier 1, Tier 2 and Tier 3 be determined based on the results of each annual actuarial valuation. The contributions and assets of all groups are deposited in the Kansas Public Employees Retirement Fund established by K.S.A. 74-4921. All of the retirement systems are funded on an actuarial reserve basis.

For fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employees. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 1.2% of total payroll for the fiscal year ended December 31, 2021. The Hospital's contractually required contribution rates are as follows:

8. **PENSION PLAN (continued)**

Period	Percent
January 1, 2020 to December 31, 2020	8.61%
January 1, 2021 to December 31, 2021	8.87

The employer contribution rate is actuarially determined as an amount that, when combined with the employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Hospital's contributions to KPERS for pensions for the years ended December 31, 2021 and 2020, were and $592,695 and $530,419, respectively.

Employer Allocations

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

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

To facilitate the separate (sub) actuarial valuations, KPERS maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The Hospital is included in the local group. The allocation percentages presented for each group are based on the ratio of each employer's contributions to total employer and nonemployer contributions of the group. The Hospital's share of the collective pension amounts as of December 31, 2021 and 2020, are based on the proportion of each employer's contributions to total employer and nonemployer contributions of the group for the years ended June 30, 2021 and 2020, respectively. The contributions used exclude contributions made for prior service, excess benefits, and irregular payments. At December 31, 2021, the Hospital's proportion of KPERS was 0.333506%, which is a decrease of 0.020304% from its proportion measured at December 31, 2020.

Pension liabilities, pension expense, deferred outflows of resources, and deferred inflows of resources

At December 31, 2021 and 2020, the Hospital reported a liability of $4,001,926 and $6,133,841, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and 2020, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020 and 2019, respectively, rolled forward to June 30, 2021 and 2020, respectively. The Hospital's proportion of the collective net pension liability was based on the ratio of the Hospital's actual contributions to total employer and nonemployer actual contributions of the group for the respective measurement periods.

For the years ended December 31, 2021 and 2020, the Hospital recognized pension expense of $(361,783) and $154,916, respectively, which includes the changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the period. At December 31, 2021 and 2020 the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

8. PENSION PLAN (continued)

	December 31, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Hospital contributions subsequent to the measurement date	$ 292,732	$ –
Differences between expected and actual experience	157,965	36,236
Net difference between projected and actual earnings on pension plan investments	–	1,421,073
Changes of assumptions	787,784	–
Changes in proportion	166,627	505,523
Total	$ 1,405,108	$ 1,962,832

	December 31, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Hospital contributions subsequent to the measurement date	$ 255,817	$ –
Differences between expected and actual experience	102,417	78,858
Net difference between projected and actual earnings on pension plan investments	715,667	–
Changes of assumptions	369,461	–
Changes in proportion	303,318	455,415
Total	$ 1,746,680	$ 534,273

At December 31, 2021, the Hospital reported $292,732 as deferred outflows of resources related to pensions resulting from Hospital's contributions subsequent to the measurement date, of June 30, 2021, that will be recognized as reduction of the net pension liability in the year ending December 31, 2022 Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31,	Amount
2022	$ (71,043)
2023	(167,324)
2024	(231,520)
2025	(398,546)
2026	17,978

The significant changes in the pension liability, deferred outflows and deferred inflows was due, in part to the decrease in the number of KPERS covered employees related to the Hospital no longer operating the long term care facility as of April 1, 2020.

Actuarial assumptions

The total pension liability was determined by actuarial valuations as of December 31, 2020 and 2019, which were then rolled forward to June 30, 2021 and 2020, using the following actuarial assumptions:

8. PENSION PLAN (continued)

	2021	2020
Price inflation	2.75%	2.75%
Wage inflation	3.50%	3.50%
Salary increases, including wage increases and inflation	3.50 to 12.00%	3.25 to 11.75%
Investment rate of return, compounded annually, net of investment expense, and including inflation	7.25%	7.50%

For 2020 and 2019, mortality rates were based on the RP-2014 Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future mortality improvements are anticipated using Scale MP-2016.

The actuarial assumptions used in the December 31, 2020 valuation, were based on the results of an actuarial experience study conducted for the three-year period ending December 31, 2018. The actuarial assumptions used in the December 31, 2016 valuation were based on the results of the actuarial experience study conducted for the three-year period ending on December 31, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. Best estimates of arithmetic real rates of return for each major asset class as the most recent study, dated January 7, 2020, as provided by KPERS' investment consultant, are summarized in the following tables:

	December 31, 2021	
Asset Class	Long-Term Target Allocation	Long-Term Expected Real Rate of Return
U.S Equities	23.50%	5.20%
Non- U.S Equities	23.50	6.40
Private Equity	8.00	9.50
Private Real Estate	11.00	4.45
Yield Driven	8.00	4.70
Real Return	11.00	3.25
Fixed Income	11.00	1.55
Short Term Investments	4.00	0.25
Total	100.00%	

	December 31, 2020	
Asset Class	Long-Term Target Allocation	Long-Term Expected Real Rate of Return
U.S Equities	23.50%	5.20%
Non- U.S Equities	23.50	6.40
Private Equity	8.00	9.50
Private Real Estate	11.00	4.45
Yield Driven	8.00	4.70
Real Return	11.00	3.25
Fixed Income	11.00	1.55
Short Term Investments	4.00	(0.25)
Total	100.00%	

8. PENSION PLAN (continued)

Discount rate

The discount rate used to measure the total pension liability as of December 31, 2021 and 2020 were 7.25 percent and 7.50 percent, respectfully. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate. Participating employer contributions do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the KPERS' Board of Trustees for these groups may not increase by more than the statutory cap (1.2% for 2020). The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following table presents the Hospital's share of the net pension liability of the Pension Plan calculated using the discount rate of 7.25% and 7.50% for 2021 and 2020, respectively, as well as what the Pension Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
Hospital's proportionate share of the net pension liability (2021)	$ 6,582,780	$ 4,001,926	$ 1,837,553

	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
Hospital's proportionate share of the net pension liability (2020)	$ 8,632,770	$ 6,133,841	$ 4,032,894

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued KPERS financial report.

Payable to the Pension Plan

At December 31, 2021 and 2020, the Hospital reported a payable of $38,693 and $34,583, respectively, for the outstanding amount of contributions to the pension plan required for the years ended December 31, 2021 and 2020, respectively.

9. EMPLOYEE HEALTH CLAIMS

Substantially all of the Hospital's employees and their dependents are eligible to participate in the Hospital's employee health insurance plan. The Hospital is self-insured for health claims of participating employees and dependents up to an annual aggregate amount of $1,000,000. Commercial stop-loss insurance coverage is purchased for claims in excess of the aggregate annual amount.

A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Hospital's estimate will change by a material amount in the near term.

Activity in the Hospital's accrued employee health claims liability, which is included in accrued salaries and benefits in the accompanying balance sheets, during 2021 and 2020 is summarized as follows:

	2021	2020
Balance, Beginning of year	$ 60,261	$ 62,338
Current year claims incurred and changes in Estimates for claims incurred in prior years	943,636	421,499
Claims and expenses paid	(953,232)	(423,576)
Total	$ 50,665	$ 60,261

10. 340B DRUG PRICING PROGRAM

The Hospital participates in the 340B Drug Pricing Program (340B Program) enabling the Hospital to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Hospital recorded revenues of $1,044,835 and $868,800 for the years ending December 31, 2021 and 2020, respectively, which is included in other operating revenue in the accompanying statement of revenues and expenses and changes in net position. The Hospital recorded expenses of $496,613 and $351,242 for the years ending December 31, 2021 and 2020, respectively, which is included in supplies and other in the accompanying statements of revenues and expenses and changes in net position. This program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to financial statement amounts related to the 340B Program could occur in the near term.

11. COVID-19 GLOBAL PANDEMIC & CARES ACT FUNDING

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to many countries, including the United States of America (U.S.). On March 11, 2020, the World Health Organization (WHO) characterized the COVID-19 as a global pandemic as it continued to spread rapidly throughout the world and on March 13, 2020 the President of the U.S. declared an emergency under sections 201 and 301 of the National Emergencies Act. Since this declaration the Hospital has operated within the guidelines provided by both state and federal regulatory agencies. In addition, many state and local governments instituted emergency restrictions that have substantially limited the operation of non-essential businesses and the activities of individuals. These restrictions resulted in decreases in service volumes for hospitals and physician practices across the country as elective procedures have been limited. Business continuity, including supply chains and consumer demand across a broad range of industries and countries have been and may continue to be impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic.

In response to the pandemic, the U.S. Government has enacted several relief programs to provide direct funds to health care providers, businesses, and the general public to assist during the duration of the pandemic. As such, the Hospital has received significant funds under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act).

Under the authority of the CARES Act, the U.S. Department of Health and Human Services (HHS) has provided Provider Relief Funds (PRF) and rural health clinic testing grants to the Hospital totaling $3,985,414 and $661,138 in 2020 and 2021 respectively to assist in managing the additional costs and disruptions in normal operations incurred by healthcare providers as a result of the pandemic. The terms and conditions associated with accepting the funds specifically state that the funds can only be used to prevent, prepare for, and respond to coronavirus healthcare related expenses or for lost revenues attributable to the pandemic. Recipients of these funds are required to file reports with HHS regarding the use of these funds for eligible purposes. Any unused funds will be required to be returned to HHS.

The Hospital considers receipt of the funds as a voluntary nonexchange transaction for accounting and reporting purposes. The PRF funds have been recorded as a unearned revenue (liability) on the financial statements. The liability is being derecognized and nonoperating revenue recognized, as the eligible requirements are determined to be met by the Hospital. During the years ended December 31, 2021 and 2020, the Hospital has recognized grant income associated with PRF funds of $561,138 and $3,868,525, respectively.

Additionally, the Hospital obtained a loan through a local bank in the amount of $1,322,000 that is fully guaranteed by the U.S. Small Business Administration (SBA) under the Paycheck Protection Program (PPP) that was implemented under the CARES Act. If the Hospital meets certain conditions under the program, all or part of the loan will be forgiven. On January 22, 2021, the Hospital received notice from the SBA that it has met the requirements for loan forgiveness under the program and recognized the gain from extinguishment as other nonoperating revenue in the accompanying statements of revenues, expenses and changes in net position.

The CARES Act also provided for a temporary expansion of Medicare's ability to provide accelerated (advance) payments due to claim disruption or unusual operating circumstances. In April 2020, the Hospital requested and received advances under this program in response to the coronavirus pandemic totaling $2,624,569. For the year ended December 31, 2021, the unapplied amount of accelerated Medicare payment requests is recorded under the caption Medicare Accelerated payments in the accompanying balance sheets and classified as a current liability based upon payback provisions in effect at December 31, 2020.

The Hospital also received grants funds from the State of Kansas totaling $100,000 related to the coronavirus pandemic. This funding was recorded as a component of unearned revenue in the accompanying balance sheets at December 31, 2021.

11. COVID-19 GLOBAL PANDEMIC & CARES ACT FUNDING (continued)

During the years ended December 31, 2021, the Coronavirus Small Rural Hospital Improvement Program provided support to small rural and Critical Access Hospitals (CAHs). In 2021, the Hospital received $20,710 related to this grant and recorded a receivable for $116,743 related to the grant at December 31, 2021. The Hospital recognized $137,453 of revenue during 2021 related to this grant and the revenue is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

Since the inception of the CARES Act, reporting guidance has continued to evolve and change, including significant changes affecting the guidance that had been applicable when the funds were initially received. For financial reporting purposes, the Hospital has determined these continuing changes, even those that have occurred since year-end, to be on-going clarifications and has utilized the most current published reporting guidance up to the date the financial statements were issued to determine coronavirus pandemic expenses and lost revenues, if any. The laws and regulations associated with the CARES Act funds are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates may change by a material amount in the near term.

12. LONG – TERM CARE FACILITY

As of April 1, 2020, the Hospital turned over the operations of the long-term care facility to the Logan County. The revenues and expenses related to long-term care were $404,655 and $629,755 in 2020.

13. SUBSEQUENT EVENT

The spread of the COVID-19 coronavirus has resulted in economic uncertainties, which may negatively affect the financial position, results of operations and cash flows of the Hospital. The Hospital is unable to estimate the length of time or the financial effects the pandemic will have on operations.

The Hospital has evaluated subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

LOGAN COUNTY HOSPITAL
D/B/A LOGAN COUNTY HEALTH SERVICES
A COMPONENT UNIT OF LOGAN COUNTY, KANSAS

REQUIRED SUPPLEMENTARY INFORMATION

KPERS PENSION PLAN

Schedule of Hospital's Proportionate Share of the Net Pension Liability and Related Ratios
Last Eight Years *

	2021	2020	2019	2018	2017	2016	2015	2014
County's proportionate percentage of the net pension liability	0.333506%	0.353810%	0.386808%	0.384622%	0.337998%	0.334883%	0.402500%	0.400400%
County's proportionate share of the net pension liability	$ 4,001,926	$ 6,133,841	$ 5,405,148	$ 5,360,823	$ 4,895,751	$ 5,180,739	$ 5,285,265	$ 4,928,015
County's covered employee payroll	$ 6,682,017	$ 6,160,511	$ 7,027,528	$ 6,874,402	$ 5,993,175	$ 5,739,620	$ 6,737,786	$ 6,614,103
County's proportionate share of the net pension liability as a percentage of its covered employee payroll	59.89%	99.57%	76.91%	77.98%	81.69%	90.26%	78.44%	74.51%
Plan fiduciary net position as a percentage of the total pension liability	81.14%	70.77%	75.02%	68.88%	67.12%	65.10%	64.95%	66.60%

Schedule of Hospital's Contributions
Last Eight Years *

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 592,695	$ 530,419	$ 624,747	$ 579,981	$ 540,878	$ 535,679	$ 571,285	$ 601,098
Contributions in relation to the contractually required contribution	(592,695)	(530,419)	(624,747)	(579,981)	(540,878)	(535,679)	(571,285)	(601,098)
Contribution deficiency (excess)	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
County's covered employee payroll	$ 6,682,017	$ 6,160,511	$ 7,027,528	$ 7,058,358	$ 6,393,347	$ 5,761,433	$ 6,255,744	$ 6,805,805
Contributions as a percentage of covered employee payroll	8.87%	8.61%	8.89%	8.22%	8.46%	9.30%	9.13%	8.83%

* – Data became available with the inception of GASB Statement No. 68 during fiscal year 2015, therefore 10 years of data is unavailable.

LOGAN COUNTY HOSPITAL
D/B/A LOGAN COUNTY HEALTH SERVICES
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REQUIRED SUPPLEMENTARY INFORMATION

KPERS LONG-TERM DISABILITY PLAN

Schedule of Change in the Hospital's
Disability Total OPEB Liaibility and Related Ratios
Last Five Years *

	2021	2020	2019	2018	2017
Total OPEB Liability					
Service Cost	$ 27,602	$ 26,994	$ 24,453	$ 24,141	$ 22,302
Interest	8,293	14,137	16,526	10,908	9,639
Effect of economic/demographic gains or losses	203,196	(12,984)	(16,072)	160,092	–
Effect of assumption changes or inputs	805	14,955	4,808	(4,226)	(8,599)
Benefit payments	(87,654)	(57,109)	(53,640)	(83,892)	(34,008)
Net change in total OPEB liability	152,242	(14,007)	(23,925)	107,023	(10,666)
Total OPEB liability - beginning of year	391,216	405,223	429,148	322,125	332,791
Total OPEB liability - end of year	$ 543,458	$ 391,216	$ 405,223	$ 429,148	$ 322,125
Covered payroll	$ 5,642,433	$ 6,480,060	$ 6,966,720	$ 6,531,588	$ 5,702,351
County's total OPEB liability as a percentage of covered payroll	9.63%	6.04%	5.82%	6.57%	5.65%

* – Governmental Accounting Standards Board Statements No. 75 requires presentation of ten years. Additional years will be reported as they become available.

Changes in assumptions: Discount rate changed from 2.21% in 2020 to 2.16% in 2021.