Stafford County Hospital
A Component Unit of
Stafford County, Kansas

Independent Auditor's Report and Financial Statements

December 31, 2022 and 2021



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Independent Auditor's Report

Board of Directors
Stafford County Hospital
Stafford, Kansas

Opinion

We have audited the financial statements of Stafford County Hospital, a component unit of Stafford 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 Stafford County Hospital as of December 31, 2022 and 2021, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of Stafford County 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.

Emphasis of Matter

As discussed in *Note 12* to the financial statements, during the year ended December 31, 2022, Stafford County Hospital adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Substantial Doubt About the Hospital's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming Stafford County Hospital will continue as a going concern. As discussed in *Note 13* to the financial statements, Stafford County Hospital has suffered recurring losses from operations and has a net deficit, which raises substantial doubt exists about Stafford County Hospital's ability to continue as a going concern. Management's evaluation of the conditions and events and management's plans regarding these matters are also described in *Note 13*. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

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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 Stafford County 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Stafford County 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 Stafford County 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 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

FORVIS, LLP

Wichita, Kansas
November 29, 2023

Stafford County Hospital
A Component Unit of Stafford County, Kansas
Balance Sheets
December 31, 2022 and 2021

Assets and Deferred Outflows of Resources

	2022	2021 (As Restated)
Current Assets		
Cash and cash equivalents	$ 1,793,953	$ 3,069,384
Short-term certificates of deposit	514,444	513,872
Patient accounts receivable, net of allowance; 2022 - $258,000, 2021 - $609,000	1,534,672	1,465,180
Other receivable	-	3,172
Estimated amounts due from Medicare	254,584	1,810,098
Supplies	184,952	146,477
Prepaid expenses and other	89,218	52,385
Total current assets	4,371,823	7,060,568
Capital Assets, Net	1,821,614	1,494,868
Lease Assets, Net	38,416	71,382
Total assets	6,231,853	8,626,818
Deferred Outflows of Resources		
Pension	406,867	141,265
Other postemployment benefits	311	349
Total deferred outflows of resources	407,178	141,614
Total assets and deferred outflows of resources	$ 6,639,031	$ 8,768,432

See Notes to Financial Statements

Liabilities, Deferred Inflows of Resources and Net Position (Deficit)

	2022	2021
		(As Restated)
Current Liabilities		
Current maturities of long-term debt	$ 549,391	$ 538,881
Current portion of lease liabilities	20,426	34,367
Accounts payable	4,575,430	3,018,966
Accrued expenses	66,660	58,523
Unearned revenue	-	2,325,246
Advance from Medicare	-	1,473,890
Total current liabilities	5,211,907	7,449,873
Long-term Debt	5,518,954	6,283,990
Long-term Lease Liabilities	16,010	36,436
Net Pension Liability	557,328	150,894
Total Other Postemployment Benefits Liability	1,686	2,634
Total liabilities	11,305,885	13,923,827
Deferred Inflows of Resources		
Pension	58,121	360,961
Other postemployment benefits	11,810	11,984
Total deferred inflows of resources	69,931	372,945
Net Position (Deficit)		
Net investment in capital and lease assets	1,476,390	1,087,710
Unrestricted	(6,213,175)	(6,616,050)
Total net deficit	(4,736,785)	(5,528,340)
Total liabilities, deferred inflows of resources and net position (deficit)	$ 6,639,031	$ 8,768,432

Stafford County Hospital
A Component Unit of Stafford County, Kansas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2022 and 2021

	2022	2021 (As Restated)
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2022 - $(111,977), 2021 - $557,810	$ 10,516,025	$ 9,763,785
Other	67,173	19,731
Total operating revenues	10,583,198	9,783,516
Operating Expenses		
Salaries and wages	634,007	519,838
Employee benefits	(36,460)	(150,898)
Purchased services and professional fees	10,700,541	9,662,832
Supplies and other	1,326,853	1,141,615
Depreciation	221,488	174,126
Amortization	32,966	30,733
Total operating expenses	12,879,395	11,378,246
Operating Loss	(2,296,197)	(1,594,730)
Nonoperating Revenues (Expenses)		
Noncapital appropriations - Stafford County	477,000	443,011
Interest income	2,101	1,651
Interest expense	(68,757)	(22,310)
Noncapital grants and gifts	103,046	235,804
Provider Relief Funds (*CARES Act*)	2,225,753	952,173
Paycheck Protection Program (PPP) loan forgiveness	-	37,441
Forgiveness of debt	348,609	243,991
Total nonoperating revenues	3,087,752	1,891,761
Increase in Net Position	791,555	297,031
Net Deficit, Beginning of Year	(5,528,340)	(5,825,371)
Net Deficit, End of Year	$ (4,736,785)	$ (5,528,340)

Stafford County Hospital
A Component Unit of Stafford County, Kansas
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
		(As Restated)
Cash Flows From Operating Activities		
Receipts from and on behalf of patients	$ 10,528,157	$ 7,232,196
Payments to suppliers and contractors	(10,546,238)	(8,863,345)
Payments to and on behalf of employees	(752,502)	(577,694)
Other receipts, net	(2,259,813)	(357,615)
Net cash used in operating activities	(3,030,396)	(2,566,458)
Cash Flows From Noncapital Financing Activities		
Noncapital appropriations - Stafford County	480,172	439,839
Noncapital grants and gifts	103,046	235,804
Principal paid on noncapital note payable	(3,294)	(33,501)
Interest paid on noncapital note payable	(17)	(1,298)
Provider Relief Funds *(CARES Act)*	2,225,753	952,173
Principal paid on promissory notes payable	(342,090)	(38,949)
Interest paid on promissory notes payable	(331)	(331)
Net cash provided by noncapital financing activities	2,463,239	1,553,737
Cash Flows From Capital and Related Financing Activities		
Purchase of capital assets	(549,450)	(797,539)
Proceeds from disposal of capital assets	2,956	-
Principal paid on long-term debt	(60,533)	(77,345)
Interest paid on long-term debt	(68,403)	(20,670)
Principal paid on leases payable	(34,367)	(31,312)
Interest paid on leases payable	(6)	(11)
Net cash used in capital and related financing activities	(709,803)	(926,877)
Cash Flows From Investing Activities		
Interest income received	1,529	1,142
Net cash provided by investing activities	1,529	1,142
Decrease in Cash and Cash Equivalents	(1,275,431)	(1,938,456)
Cash and Cash Equivalents, Beginning of Year	3,069,384	5,007,840
Cash and Cash Equivalents, End of Year	$ 1,793,953	$ 3,069,384

Stafford County Hospital
A Component Unit of Stafford County, Kansas
Statements of Cash Flows (Continued)
Years Ended December 31, 2022 and 2021

	2022	2021
		(As Restated)
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (2,296,197)	$ (1,594,730)
Depreciation	221,488	174,126
Amortization	32,966	30,733
(Gain) loss on disposal of capital assets	(1,740)	9,065
Provision for uncollectible accounts	(111,977)	557,810
Changes in operating assets and liabilities		
Patient accounts receivable, net	42,485	(636,663)
Estimated amounts due from and to Medicare	1,555,514	(1,240,204)
Accounts payable and accrued expenses	1,564,601	1,990,852
Other assets	(75,308)	(25,852)
Unearned revenue	(2,325,246)	(386,411)
Medicare advance	(1,473,890)	(1,212,532)
Net pension liability	406,434	(64,946)
Total other postemployment benefits liability	(948)	793
Deferred outflows of resources - pension	(265,564)	31,026
Deferred inflows of resources - pension and OPEB	(303,014)	(199,525)
Net cash used in operating activities	$ (3,030,396)	$ (2,566,458)
Noncash Investing, Capital and Financing Activities		
PPP loan forgiveness	$ -	$ 37,441
Forgiveness of debt	$ 348,609	$ 243,991
Lease obligation incurred for lease assets	$ -	$ 32,400

Stafford County Hospital
A Component Unit of Stafford 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

Stafford County Hospital (Hospital) is an acute care hospital located in Stafford, Kansas. The Hospital is a component unit of Stafford County, Kansas (County) and the Board of County Commissioners appoints members to the Board of Directors of the Hospital. The Hospital primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in the Stafford County area. It also operates a home health agency 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, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions 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, interest income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Hospital first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Use of Estimates

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

Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2022 and 2021, cash equivalents consisted primarily of certificates of deposit, which are carried at amortized cost.

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. The following estimated useful lives are being used by the Hospital:

Land improvements	10 – 15 years
Buildings	5 – 40 years
Fixed equipment	10 – 25 years
Major moveable equipment	5 – 20 years

Lease Assets

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Capital and Lease Asset Impairment

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

Deferred Outflows of Resources

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

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

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

Paycheck Protection Program (PPP) Loan

The Hospital received a PPP loan established by the *Coronavirus Aid, Relief and Economic Security Act (CARES Act)* and has accounted for the funding as debt in accordance with GASB 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan is recognized as nonoperating revenue in the financial statements in the period the debt is legally forgiven. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration (SBA), or lender; as a result of such audit, adjustment could be required to any revenue recognized. The Hospital received legal notice on January 26, 2021, that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment as other nonoperating revenue in the accompanying statements of revenues, expenses and changes in net position (deficit).

Cost-Sharing Defined Benefit Pension Plan

The Hospital participates in a cost-sharing multiple-employer defined benefit pension plan, the Kansas Public Employees Retirement Savings Plan (KPERS). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of KPERS and additions to/deductions from KPERS's fiduciary net position have been determined on the same basis as they are reported by KPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Defined Benefit Other Postemployment Benefit Plan

The Hospital has a single-employer defined benefit other postemployment benefit (OPEB) plan, Long-Term Disability Plan (the OPEB Plan). For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Deferred Inflows of Resources

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

Net Position (Deficit)

Net position (deficit) of the Hospital is classified in two components on its balance sheets.

- Net investment in capital and lease assets consist of capital assets net of accumulated depreciation and amortization and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.

- Unrestricted net position (deficit) is the remaining net position (deficit) that does not meet the definition of net investment in capital assets.

Net Patient Service Revenue

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

Charity Care

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

Noncapital Appropriations – Stafford County

The Hospital received approximately 4% of its financial support from the proceeds of noncapital appropriations derived from property taxes levied by the County in 2022 and 2021. One hundred percent of these funds were used to support operations in both years.

Property taxes are assessed by the County in November of one year and are received beginning in January of the following year. Noncapital appropriations revenue is 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 (deficit). 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.

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, $2,191,117 and $3,350,741 of the Hospital's bank balances of $2,441,117 and $3,600,741 were exposed to custodial credit risk as follows:

	2022	2021
Uninsured and collateral held by pledging financial institution	$ 2,191,117	$ 3,350,741

Summary of Carrying Values

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

	2022	2021
Carrying value		
Deposits	$ 2,308,047	$ 3,583,006
Petty cash	350	250
	$ 2,308,397	$ 3,583,256

Included in the following balance sheet captions:

	2022	2021
Cash and cash equivalents	$ 1,793,953	$ 3,069,384
Short-term certificates of deposit	514,444	513,872
	$ 2,308,397	$ 3,583,256

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	$ 1,252,643	$ 1,300,288
Medicaid	71,632	134,617
Blue Cross	79,372	101,577
Other third-party payers	87,276	189,536
Patients	301,749	348,238
	1,792,672	2,074,256
Less allowance for uncollectible accounts	258,000	609,076
	$ 1,534,672	$ 1,465,180

Note 4: Capital and Lease Assets

Capital assets activity for the years ended December 31 was:

	2022				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 29,071	$ -	$ -	$ -	$ 29,071
Land improvements	13,646	24,933	-	14,400	52,979
Buildings	392,873	158,425	-	452,316	1,003,614
Fixed equipment	822,604	12,730	-	38,710	874,044
Major moveable equipment	971,438	219,922	(55,067)	-	1,136,293
Construction in progress	505,426	133,440	-	(505,426)	133,440
	2,735,058	549,450	(55,067)	-	3,229,441
Less accumulated depreciation					
Land improvements	13,646	1,635	-	-	15,281
Buildings	182,130	60,143	-	-	242,273
Fixed equipment	442,671	75,279	-	-	517,950
Major moveable equipment	601,743	84,431	(53,851)	-	632,323
	1,240,190	221,488	(53,851)	-	1,407,827
Capital Assets, Net	$ 1,494,868	$ 327,962	$ (1,216)	$ -	$ 1,821,614

	2021 - *Restated*				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 24,001	$ 5,070	$ -	$ -	$ 29,071
Land improvements	13,646	-	-	-	13,646
Buildings	316,863	67,455	-	8,555	392,873
Fixed equipment	799,011	23,593	-	-	822,604
Major moveable equipment	793,705	195,995	(73,262)	55,000	971,438
Construction in progress	63,555	505,426	-	(63,555)	505,426
	2,010,781	797,539	(73,262)	-	2,735,058
Less accumulated depreciation					
Land improvements	13,646	-	-	-	13,646
Buildings	158,630	23,500	-	-	182,130
Fixed equipment	369,988	72,683		-	442,671
Major moveable equipment	587,997	77,943	(64,197)	-	601,743
	1,130,261	174,126	(64,197)	-	1,240,190
Capital Assets, Net	$ 880,520	$ 623,413	$ (9,065)	$ -	$ 1,494,868

Lease assets activity for the years ended December 31 was:

	2022				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Fixed equipment	$ 69,715	$ -	$ -	$ -	$ 69,715
Major moveable equipment	32,400	-	-	-	32,400
	102,115	-	-	-	102,115
Less accumulated amortization					
Fixed equipment	27,886	27,886	-	-	55,772
Major moveable equipment	2,847	5,080	-	-	7,927
	30,733	32,966	-	-	63,699
Lease assets, net	$ 71,382	$ (32,966)	$ -	$ -	$ 38,416

	2021 - *Restated*				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Fixed equipment	$ 69,715	$ -	$ -	$ -	$ 69,715
Major moveable equipment	-	32,400	-	-	32,400
	69,715	32,400	-	-	102,115
Less accumulated amortization					
Fixed equipment	-	27,886	-	-	27,886
Major moveable equipment	-	2,847	-	-	2,847
	-	30,733	-	-	30,733
Lease assets, net	$ 69,715	$ 1,667	$ -	$ -	$ 71,382

Note 5: Long-term Obligations

The following is a summary of long-term obligation transactions for the Hospital for the years ended December 31, 2022 and 2021:

	2022					
	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year	Long-term Portion
Long-term debt						
Note payable, related party	$ 3,294	$ -	$ 3,294	$ -	$ -	$ -
Non-balloon promissory note	2,478,978	-	342,090	2,136,888	485,850	1,651,038
Balloon promissory note	3,932,862	-	348,609	3,584,253	-	3,584,253
Financed capital purchases	407,737	-	60,533	347,204	63,541	283,663
Total long-term debt	6,822,871	-	754,526	6,068,345	549,391	5,518,954
Long-term liabilities						
Lease liabilities	70,803	-	34,367	36,436	20,426	16,010
Total long-term liabilities	70,803	-	34,367	36,436	20,426	16,010
Total long-term obligations	$ 6,893,674	$ -	$ 788,893	$ 6,104,781	$ 569,817	$ 5,534,964

	2021 - *Restated*					
	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year	Long-term Portion
Long-term debt						
Note payable, related party	$ 36,795	$ -	$ 33,501	$ 3,294	$ 3,294	$ -
Non-balloon promissory note	2,517,927	-	38,949	2,478,978	475,054	2,003,924
Balloon promissory note	4,176,853	-	243,991	3,932,862	-	3,932,862
PPP loan payable to bank	37,441	-	37,441	-	-	-
Financed capital purchases	485,082	-	77,345	407,737	60,533	347,204
Total long-term debt	7,254,098	-	431,227	6,822,871	538,881	6,283,990
Long-term liabilities						
Lease liabilities	69,715	32,400	31,312	70,803	34,367	36,436
Total long-term liabilities	69,715	32,400	31,312	70,803	34,367	36,436
Total long-term obligations	$ 7,323,813	$ 32,400	$ 462,539	$ 6,893,674	$ 573,248	$ 6,320,426

Non-Balloon Promissory Note

The promissory note consists of an agreement with Carter Professional Care Stafford, LLC, to repay the principal amount of $3,424,114 dated October 1, 2020. The promissory note is payable in monthly installments through October 1, 2027. The Hospital is required to make monthly payments of $45,244, including interest of 3%.

Balloon Promissory Note

The promissory note consists of an agreement with Carter Professional Care Stafford, LLC, to repay the principal amount of $4,176,853 dated October 1, 2020. In consideration of the continuing effectiveness of the Management Services Agreement dated October 1, 2020, with Carter Professional Care Stafford, LLC, a portion of the outstanding principal balance and accrued, but unpaid, interest shall be forgiven commencing on the first anniversary of the Management Services Agreement and on each subsequent anniversary thereafter. Any remaining principal and interest amounts shall be payable in one installment on October 1, 2027. The promissory note has an interest rate of 3%.

Paycheck Protection Program (PPP) Loan

The *CARES Act* and other subsequent legislation provides an SBA loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. The Hospital received a PPP loan of $37,441 in 2020. The Hospital received legal notice on January 26, 2021, that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment as other nonoperating revenue in the accompanying statements of revenues, expenses and changes in net position (deficit).

Note Payable, Related Party

The note payable, related party was paid off January 1, 2022.

Debt Service Requirements – Long-term Debt

Debt service requirements on long-term debt other than financed capital purchases as of December 31, 2022, are as follows:

Year Ending December 31,	Total to be Paid	Non-Balloon Promissory Note		Balloon Promissory Note	
		Principal	Interest	Principal	Interest
2023	$ 539,273	$ 485,850	$ 53,423	$ -	$ -
2024	539,162	500,627	38,535	-	-
2025	539,047	515,854	23,193	-	-
2026	538,930	531,545	7,385	-	-
2027	4,312,519	103,012	-	3,584,253	625,254
	$ 6,468,931	$ 2,136,888	$ 122,536	$ 3,584,253	$ 625,254

Financed Capital Purchases

Financed capital purchases are in the form of notes payable to bank and/or vendor, with maturity dates of June 7, 2024 and February 1, 2031, respectively. Principal and interest is payable monthly. The interest rates are 5.85% and 3.80%, respectively. The notes are secured by certain capital assets.

Debt Service Requirements – Financed Capital Purchases

Debt service requirements on financed capital purchases as of December 31, 2022, are as follows:

Year Ending December 31,	Total to be Paid	Principal	Interest
2023	$ 76,607	$ 63,541	$ 13,066
2024	58,868	48,747	10,121
2025	41,128	32,507	8,621
2026	41,128	33,754	7,374
2027	41,128	35,049	6,079
2028-2031	143,950	133,606	10,344
	$ 402,809	$ 347,204	$ 55,605

Lease Liabilities

The Hospital leases equipment, the terms of which expire in various years through 2026. Payments are based on the lease agreements in each specific lease.

The following is a schedule by year of lease payments under the leases as of December 31, 2022:

Year Ending December 31,	Total to be Paid	Principal	Interest
2023	$ 20,427	$ 20,426	$ 1
2024	6,480	6,480	-
2025	6,480	6,480	-
2026	3,050	3,050	-
	$ 36,437	$ 36,436	$ 1

Note 6: Medical Malpractice Coverage and Claims

The Hospital purchases medical malpractice insurance under a claims-made policy with a fixed premium which provides $500,000 of coverage for each medical incident and $1,500,000 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 $500,000 of coverage for each medical incident and $1,500,000 of aggregate coverage for each policy year.

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

Note 7: Net Patient Service Revenue

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

Medicare. The Hospital is recognized as a critical access hospital (CAH) and is paid at one hundred one percent (101%) of allowable costs for certain inpatient and outpatient services. Home health services are paid on a per-episode basis using clinical, diagnostic and other factors. 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.

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

Approximately 89% and 94% of net patient service revenues are 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 8: Management and Professional Services Agreements

The Hospital has contracted with Carter Professional Care Stafford, LLC, for various management services. The Hospital has contracted with Carter Clinical Services, LLC, for various clinical services. The initial contract term of the management services agreement is for a period of ten years through October 3, 2026. The initial contract term of the professional services agreement is for a term of seven years through October 1, 2027. Fees incurred for the various management services provided by Carter Professional Care Stafford, LLC and Carter Clinical Services, LLC, to the Hospital for the years ended December 31, 2022 and 2021, were $2,682,000 and $2,682,000, respectively. Fees incurred for clinical and various other services provided by Carter Professional Care Stafford, LLC and Carter Clinical Services, LLC, to the Hospital for the years ended December 31, 2022 and 2021, were $6,733,041 and $ 5,765,980, respectively. Amounts due to Carter Professional Care Stafford, LLC, at December 31, 2022 and 2021, were $1,588,069 and $1,485,223, respectively. Amounts due to Carter Clinical Services, LLC, at December 31, 2022 and 2021, were $2,806,458 and $1,430,248, respectively.

See *Note 5* for discussion of the promissory note agreements between the Hospital and Carter Professional Care Stafford, LLC.

Note 9: Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Plan Description

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

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

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

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

The Hospital's employees participate in the Local group.

Benefits Provided

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

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

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

Contributions

The law governing KPERS requires an actuary to make an annual valuation of the liabilities and reserves and a determination of the contributions required to discharge the KPERS liabilities. The actuary then recommends to the KPERS Board of Trustees the statewide employer-contribution rates required to maintain the three systems on the actuarial reserve basis. Prior to January 1, 2014, Tier 1 participants were required to contribute 4% of their annual pay. Effective January 1, 2014, the rate was raised to 5% with an increase in the benefit multiplier to 1.85% beginning January 1, 2014, for future years of service only. Effective January 1, 2015, the contribution rate was raised to 6%. Tier 2 participants are required to contribute 6% of compensation. The Hospital's contractually required contribution rate for the years ended December 31, 2022 and 2021, was 8.90% and 8.87% of annual payroll, respectively. The employer contribution is actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The Hospital's contributions to KPERS for pensions for the years ended December 31, 2022 and 2021, were $57,026 and $31,808, respectively.

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

At December 31, 2022 and 2021, the Hospital reported a liability of $557,328 and $150,894, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and 2021, respectively, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of December 31, 2021 and 2020, respectively, rolled forward to June 30, 2022 and 2021, respectively. The Hospital's proportion of the net pension liability was based on the ratio of the Hospital's actual contributions to total employer and non-employer actual contributions of the group for the respective measurement periods. At June 30, 2022, the Hospital's proportion was 0.028034%, which was an increase of 0.015459% from its proportion measured as of June 30, 2021, of 0.012575%. At June 30, 2020, the proportion was 0.012450%.

For the years ended December 31, 2022 and 2021, the Hospital recognized pension expense (credit) of ($103,363) and ($201,258), respectively. At December 31, 2022 and 2021, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 21,080	$ 999
Net difference between projected and actual earnings on pension plan investments	47,178	-
Changes of assumptions	89,086	-
Changes in proportion	221,963	57,122
Hospital's contributions subsequent to the measurement date	27,560	-
Total	$ 406,867	$ 58,121

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 5,956	$ 1,366
Net difference between projected and actual earnings on pension plan investments	-	53,582
Changes of assumptions	29,704	-
Changes in proportion	86,587	306,013
Hospital's contributions subsequent to the measurement date	19,018	-
Total	$ 141,265	$ 360,961

At December 31, 2022, the Hospital reported $27,560 as deferred outflows of resources related to pension contributions made subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2022, related to pensions will be recognized in pension expense as follows:

2023	$ 59,918
2024	99,098
2025	63,023
2026	91,134
2027	8,013
	$ 321,186

Actuarial Assumptions

The total pension liability in the December 31, 2021 and 2020, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2022	2021
Price inflation	2.75%	2.75%
Salary increases, including inflation	3.5% to 12%	3.5% to 12%
Investment rate of return, net of pension plan investment expense including inflation	7.00%	7.25%

Mortality rates were based on the RP-2014 Healthy Annuitant Table for males or females, as appropriate with adjustments for mortality improvements based on Scale MP-16 for the - December 31, 2021 and 2020, actuarial valuations.

The actuarial assumptions used in both the December 31, 2021 and 2020, valuations were based on the results of an actuarial experience study for the three-year period ended December 31, 2018, respectively.

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

	2022		2021	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
U.S. Equities	23.5%	5.20%	23.5%	5.20%
Non-U.S. Equities	23.5%	6.40%	23.5%	6.40%
Private Equity	8.0%	9.50%	8.0%	9.50%
Private Real Estate	11.0%	4.45%	11.0%	4.45%
Yield Driven	8.0%	4.70%	8.0%	4.70%
Real Return	11.0%	3.25%	11.0%	3.25%
Fixed Income	11.0%	1.55%	11.0%	1.55%
Short Term Investments	4.0%	0.25%	4.0%	0.25%
	100%		100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.00% and 7.25% for the years ended June 30, 2022 and 2021, respectively. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the contractually required rate. Participating employer contributions do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by KPERS' Board of Trustees for these groups may not increase by more than the statutory cap. The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The Hospital's proportionate share of the net pension liability has been calculated using a discount rate of 7.00%. The following presents the Hospital's proportionate share of the net pension liability calculated using a discount rate 1% higher and 1% lower than the current rate as of December 31, 2022.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Hospital's proportionate share of the net pension liability	$ 800,620	$ 557,328	$ 354,631

Pension Plan Fiduciary Net Position

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

Note 10: Other Postemployment Benefit Plan

Plan Description

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

Benefits Provided

The OPEB Plan provides LTD and life insurance benefits to eligible disabled members. Benefits provided are self-funded, and the full cost of the benefits is covered by the OPEB Plan. The monthly benefit is 60% of the member's monthly rate of compensation, with a minimum of $100 and a maximum of $5,000. The monthly benefit is subject to reduction by deductible sources of income, which include Social Security primary disability or retirement benefits, worker's compensation benefits, other disability benefits from any other source by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while disability continues until the member's 65th birthday or retirement date, whichever first occurs. If the disability occurs at or after age 60, benefits are payable while disability continues, for a period of five years or until the date of the member's retirement, whichever first occurs. Upon the death of a member who is receiving monthly disability benefits, the plan will pay a lump sum benefit to eligible beneficiaries. The benefit amount will be 150% of the greater of (a) the member's annual rate of compensation at the time of disability, or (b) the member's previous 12 months of compensation at the time of the last date on payroll. If the member had been disabled for five or more years, the annual compensation or salary rate at the time of death will be indexed before the life insurance benefit is computed. The indexing is based on the consumer price index, less one percentage point. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, he or she may be eligible to receive up to 100% of the death benefit rather than having the benefit paid to the beneficiary.

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

	2022	2021
Active employees	3	3
	3	3

Total OPEB Liability

The Hospital's total OPEB liability of $1,686 and $2,634 was measured as of June 30, 2022 and 2021, for the years ended December 31, 2022 and 2021, respectively, and was determined by actuarial valuations as of December 31, 2021 and 2020, respectively, and rolled forward to June 30, 2022 and 2021, respectively.

The total OPEB liability in the December 31, 2021 and 2020, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2022	2021
Inflation	2.75%	2.75%
Discount rate	3.54%	2.16%
Salary increases, including inflation	3.50% to 10%	3.50% to 10%

The discount rate was based on the Bond Buyer General Obligation 20-Year Municipal Bond Index. The discount rate changed from 2.21% in 2020 to 2.16% in 2021 and to 3.54% in 2022.

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

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

The actuarial assumptions used in the December 31, 2021 and 2020, valuations were based on the results of an actuarial experience study for the period January 1, 2016 – December 31, 2018, respectively.

Changes in the Total OPEB Liability

Changes in the total OPEB liability are:

	2022	2021
Balance, beginning of year	$ 2,634	$ 1,841
Changes for the year:		
Service cost	1,086	386
Interest	80	50
Differences between expected and actual experience	(2,082)	357
Changes of assumptions	(32)	-
Net changes	(948)	793
Balance, end of year	$ 1,686	$ 2,634

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

The total OPEB liability of the Hospital, at December 31, 2022, has been calculated using a discount rate of 3.54%. The following presents the total OPEB liability using a discount rate 1% higher and 1% lower than the current discount rate.

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
Hospital's total OPEB liability	$ 1,655	$ 1,686	$ 1,705

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, as such no sensitivity tables were prepared for the health care trend rates.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the years ended December 31, 2022 and 2021, the Hospital recognized OPEB expense (credit) of ($1,084) and ($1,604), respectively. At December 31, 2022 and 2021, the Hospital reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 287	$ 11,649
Changes of assumptions	24	161
Total	$ 311	$ 11,810

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 322	$ 11,817
Changes of assumptions	27	167
Total	$ 349	$ 11,984

Amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2022, related to OPEB will be recognized in OPEB expense as follows:

2023	$ (2,250)
2024	(2,250)
2025	(2,250)
2026	(2,238)
2027	(1,620)
Thereafter	(891)
	$ (11,499)

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 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 $0 and $466,269, respectively, of distributions from the *CARES Act* Provider Relief Fund. 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 $2,225,753 and $952,173, respectively, related to the Provider Relief Fund, and these payments are recorded as Provider Relief Funds (*CARES Act*), classified as nonoperating revenues in the accompanying statements of revenues, expenses and changes in net position (deficit). The unrecognized amount of Provider Relief Fund distributions of $0 and $2,225,753 is recorded as a component of unearned revenue in the accompanying balance sheets for the years ended 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 Fund 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 Fund payments are subject to government oversight, including potential audits.

Medicare Accelerated and Advanced Payment Program

During the year ended December 31, 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.

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

During the year ended December 31, 2020, the Hospital received $2,686,422 from these accelerated Medicare payment requests. During the years ended December 31, 2022 and 2021, Medicare has applied approximately $1,475,000 and $1,210,000, 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. As of December 31, 2022, all Medicare accelerated payments have been recouped.

Paycheck Protection Program (PPP) Loan

During the year ended December 31, 2020, the Hospital received a PPP loan of $37,441 established by the *CARES Act* and has accounted for the funding as debt in accordance with GASB 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan is recognized as nonoperating revenue in the financial statements in the period the debt is legally forgiven. PPP loans are subject to audit and acceptance by the SBA, or lender; as a result of such audit, adjustment could be required to any revenue recognized. The Hospital received legal notice on January 26, 2021, that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment as other nonoperating revenue in the accompanying statements of revenues, expenses and changes in net position (deficit).

Other COVID-19 Funding

In November 2021, the Hospital received $99,493 of a distribution from the Frontline Hospital Employee Retention Plan Program. Funding under this program was utilized by the Hospital to retain existing clinical staff and re-hire retirees who have retired since March 1, 2020. The hospital recognized $99,493 related to this grant at December 31, 2022. The payment is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position (deficit).

During the year ended December 31, 2021, the Coronavirus Small Rural Hospital Improvement Program provided support to small rural and Critical Access Hospitals (CAHs) which were seeing increased demands for clinical services and equipment, as well as experiencing short-term financial and workforce challenges related to responding to meeting the needs of patients with COVID-19 seeking care at their facilities. These funds were administered through the Small Rural Hospital Improvement Program (SHIP) to provide emergency funding support to CAHs and non-CAH rural hospitals with less than 50 beds. This approach provided funding directly to the states to target those rural hospitals and the communities they serve who are facing the greatest strain from this crisis. The Hospital received and recognized $63,613 related to this grant at December 31, 2021. The payment is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position (deficit).

Note 12: Adoption of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*

Effective January 1, 2021, the Hospital adopted GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the fundamental principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about government's leasing activities. This Statement required a retrospective transition method using the facts and circumstances that existed at the beginning of the earliest year presented. As a result, the Hospital was required to retroactively restate December 31, 2021, amounts as follows:

	As Restated	Previously Reported	Effect of Adoption
Balance Sheet			
Capital assets, net	$ 1,494,868	$ 1,551,646	$ (56,778)
Lease assets, net	71,382	-	71,382
Current maturities of long-term debt	538,881	570,357	(31,476)
Current portion of lease liabilities	34,367	-	34,367
Total current liabilities	7,449,873	7,446,982	2,891
Long-term debt	6,283,990	6,321,204	(37,214)
Long-term lease liabilities	36,436	-	36,436
Total liabilities	13,923,827	13,921,714	2,113
Net position - net investment in capital and lease assets	1,087,710	1,075,219	12,491
Total net deficit	(5,528,340)	(5,540,831)	12,491
Statements of Revenues, Expenses and Changes in Net Position			
Depreciation	174,126	198,752	(24,626)
Amortization	30,733	-	30,733
Interest expense	(22,310)	(31,579)	9,269
Total nonoperating revenues	1,891,761	1,882,492	9,269
Increase in net position	297,031	293,869	3,162
Net deficit, end of year	(5,528,340)	(5,540,831)	12,491
Statements of Cash Flows			
Purchase of capital assets	(797,539)	(797,539)	-
Principal paid on long-term debt	(77,345)	(99,388)	22,043
Interest paid on long-term debt	(20,670)	(29,950)	9,280
Principal paid on leases payable	(31,312)	-	(31,312)
Interest paid on leases payable	(11)	-	(11)
Depreciation	174,126	198,752	(24,626)
Amortization	30,733	-	30,733

Note 13: Management's Consideration of Going Concern Matters

The Hospital has incurred losses from operations for the past several years. The financial statements have been prepared assuming the Hospital will continue as a going concern, realizing assets and liquidating liabilities in the ordinary course of business. Management is considering several alternatives for mitigating these conditions during the next year. These include evaluation of staffing patterns in the Hospital, new services, adjustments of charge rates for services to meet market conditions and other forms of financing. Although not currently planned, realization of assets in other than the ordinary course of business in order to meet liquidity needs could incur losses not reflected in these financial statements.

Note 14: 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 15: Future Change in Accounting Principle

Subscription-Based Information Technology Arrangements

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. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

Required Supplementary Information

Stafford County Hospital
A Component Unit of Stafford County, Kansas
Schedule of the Hospital's Proportionate Share of the Net Pension Liability
Kansas Public Employees Retirement System Plan
Last Ten Fiscal Years

	2022 *	2021 *	2020 *	2019 *	2018 *
Hospital's proportion of the net pension liability	0.028034%	0.012575%	0.012450%	0.006484%	0.000000%
Hospital's proportionate share of the net pension liability	$ 557,328	$ 150,894	$ 215,840	$ 90,606	$ -
Hospital's covered-employee payroll	$ 550,901	$ 255,918	$ 234,147	$ 138,062	$ 759,656
Hospital's proportionate share of the net pension liability as a percentage of its covered-employee payroll	101.17%	58.96%	92.18%	65.63%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	69.75%	76.40%	66.30%	69.88%	68.88%

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

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

2017 *	2016 *	2015 *	2014 *
0.094216%	0.094703%	0.093038%	0.092180%
$ 1,364,677	$ 1,465,083	$ 1,221,630	$ 1,134,563
$ 1,541,365	$ 1,563,547	$ 1,559,189	$ 1,499,448
88.54%	93.70%	78.35%	75.67%
67.12%	65.10%	64.95%	66.60%

Stafford County Hospital
A Component Unit of Stafford County, Kansas
Schedule of the Hospital's Pension Contributions
Kansas Public Employees Retirement System Plan
Last Ten Fiscal Years

	2022 *	2021 *	2020 *	2019 *	2018 *
Contractually required contribution	$ 55,380	$ 31,808	$ 17,552	$ 21,831	$ 8,896
Contribution in relation to the contractually required contribution	55,380	31,808	17,552	21,831	8,896
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Hospital's covered-employee payroll	$ 617,871	$ 357,773	$ 203,851	$ 245,421	$ 68,462
Contributions as a percentage of covered-employee payroll	8.96%	8.89%	8.61%	8.90%	12.99%

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

*The amounts presented for each fiscal year are as of the most recent fiscal year-end (December 31).

2017 *	2016 *	2015 *	2014 *
$ 85,953	$ 140,593	$ 150,250	$ 138,160
85,953	140,593	150,250	138,160
$ -	$ -	$ -	$ -
$ 1,048,352	$ 1,454,926	$ 1,580,414	$ 1,562,903
8.20%	9.66%	9.51%	8.84%

Stafford County Hospital
A Component Unit of Stafford County, Kansas
Schedule of Changes in the Hospital's Total OPEB Liability and Related Ratios
Last Ten Fiscal Years

	2022 *	2021 *	2020 *
Total OPEB Liability			
Service cost	$ 1,086	$ 386	$ 353
Interest	80	50	83
Differences between expected and actual experience	(2,082)	357	(661)
Changes in assumptions	(32)	-	33
Net Change in Total OPEB Liability	(948)	793	(192)
Hospital's Total OPEB Liability - Beginning	2,634	1,841	2,033
Hospital's Total OPEB Liability - Ending	$ 1,686	$ 2,634	$ 1,841
Hospital's Covered-Employee Payroll	$ 236,995	$ 244,984	$ 69,638
Hospital's Total OPEB Liability as a Percentage of Covered-Employee Payroll	0.71%	1.08%	2.64%
Changes of Assumptions			
Discount rate	3.54%	2.16%	2.21%

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

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

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

2019 *	2018 *	2017 *
$ 329	$ 325	$ 5,561
92	718	556
(437)	(18,712)	-
(1)	(3)	(338)
(17)	(17,672)	5,779
2,050	19,722	13,943
$ 2,033	$ 2,050	$ 19,722
$ 68,462	$ 65,910	$ 1,619,007
2.97%	3.11%	1.22%
3.50%	3.87%	3.58%