Forvis Mazars Report to the Board of Trustees and Management

Satanta Hospital District

Results of the 2023 Financial Statement Audit, Including Required Communications

December 31, 2023

Required Communications Regarding Our Audit Strategy & Approach (AU-C 260)

Overview & Responsibilities

Matter	Discussion
Scope of Our Audit	This report covers audit results related to your financial statements and supplementary information: • As of and for the year ended December 31, 2023 • Conducted in accordance with our contract dated November 8, 2023
Our Responsibilities	Forvis Mazars is responsible for forming and expressing an an opinion about whether the financial statements that have been prepared by management, with the oversight of those charged with governance, are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).
Audit Scope & Inherent Limitations to *Reasonable Assurance*	An audit performed in accordance with auditing standards generally accepted in the United States of America (GAAS) is designed to obtain reasonable, rather than absolute, assurance about the financial statements. The scope of our audit tests was established in relation to the financial statements taken as a whole and did not include a detailed audit of all transactions.
Extent of Our Communication	In addition to areas of interest and noting prior communications made during other phases of the engagement, this report includes communications required in accordance with GAAS that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process, including audit approach, results, and internal control. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.
Independence	The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.
Your Responsibilities	Our audit does not relieve management or those charged with governance of your responsibilities. Your responsibilities and ours are further referenced in our contract.

Matter	Discussion
Distribution Restriction	This communication is intended solely for the information and use of the following and is not intended to be, and should not be, used by anyone other than these specified parties: • Board of Trustees and Management

Qualitative Aspects of Significant Accounting Policies & Practices

Significant Accounting Policies

Significant accounting policies are described in Note 1 of the audited financial statements.

With respect to new accounting standards adopted during the year, we call to your attention the following topics detailed in the following pages:

- GASB 96 *Subscription-Based Information Technology Arrangements (SBITAs)*

Unusual Policies or Methods

With respect to significant unusual accounting policies or accounting methods used for significant unusual transactions (significant transactions outside the normal course of business or that otherwise appear to be unusual due to their timing, size, or nature), we noted the following:

- No matters are reportable

Alternative Accounting Treatments

We had discussions with management regarding alternative accounting treatments within GAAP for policies and practices for material items, including recognition, measurement, and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, as follows:

- No matters are reportable

Management Judgments & Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. Significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates include:

- Allowance for uncollectible accounts and contractual adjustments
- Estimates of third-party payer settlements

Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- GPHA Employee Benefits Trust

Our Judgment About the Quality of the Entity's Accounting Principles

During the course of the audit, we made the following observations regarding the Entity's application of accounting principles:

- No matters are reportable

Adjustments Identified by Audit

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments that, in its judgment, are required to prevent the financial statements from being materially misstated.

A misstatement is a difference between the amount, classification, presentation, or disclosure of a reported financial statement item and that which is required for the item to be presented fairly in accordance with the applicable financial reporting framework.

Proposed & Recorded Adjustments

Auditor-proposed and management-recorded entries include the following:

- Entry to record impact of GASB 96 adoption
- Entry to record the 2023 cost report estimate

Uncorrected Misstatements

Some adjustments proposed were **not recorded** because their effect is not currently considered material. We request that all identified misstatements be corrected.

Uncorrected misstatements that were determined by management to be immaterial, both individually and in the aggregate, but more than trivial to the financial statements as a whole are included as an attachment to this communication.

While these uncorrected misstatements were deemed to be immaterial to the current-period financial statements, it is possible that the impact of these uncorrected misstatements, or matters underlying these uncorrected misstatements, could potentially cause future-period financial statements to be materially misstated.

Current-Period Uncorrected Misstatements

- Foundation accounts are not presented in the Hospital's financial statements as a blended component unit (cash and net position)
- Contract labor and rehab billing for December 2023 expense recorded in January 2024
- Accounts receivable adjustment to reflect expected reimbursement on patients classified as self-pay that should be in other payor groups

Other Required Communications

Other Material Communications

Listed below are other material communications between management and us related to the audit:

- Management representation letter (see Attachments)

We orally communicated to management other deficiencies in internal control identified during our audit that are not considered material weaknesses or significant deficiencies.

Attachments

Audited Financial Statements (Attachment A)

The audited financial statements are included herein for your reference.

Management Representation Letter (Attachment B)

As a material communication with management, included herein is a copy of the representation letter provided by management at the conclusion of our engagement.

Schedule of Uncorrected Misstatements (Attachment C)

The detail of uncorrected misstatements identified as a result of our engagement are included herein.

Ratios, Trends, and Analytics (Attachment D)

The ratios, trends, and analytics are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Attachment A

Audited Financial Statements

Satanta Hospital District

Independent Auditor's Report and Financial Statements

December 31, 2023 and 2022

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Forvis Mazars, LLP
1551 N. Waterfront Parkway, Suite 300
Wichita, KS 67206
P 316.265.2811 | F 316.265.9405
forvismazars.us

Independent Auditor's Report

Board of Trustees
Satanta Hospital District
Satanta, Kansas

Opinion

We have audited the financial statements of Satanta Hospital District as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise Satanta Hospital District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Satanta Hospital District as of December 31, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of Satanta Hospital District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in *Note 13* to the financial statements, during the year ended December 31, 2023, Satanta Hospital District adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Satanta Hospital District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Supplementary Information

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

Forvis Mazars, LLP

Wichita, Kansas
June 24, 2024

Satanta Hospital District
Balance Sheets
December 31, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash	$ 1,054,418	$ 1,670,183
Restricted cash	64,146	184,469
Patient accounts receivable, net of allowance; 2023 – $394,008, 2022 – $893,359	1,210,646	1,744,488
Estimated amounts due from third-party payers	698,202	259,625
Property taxes receivable	1,793,792	1,793,792
Supplies	554,027	522,786
Prepaid expenses and other	147,847	191,158
Grant receivable	-	166,771
Total current assets	5,523,078	6,533,272
Capital Assets, Net	9,181,980	9,900,137
Subscription Assets, Net	645,026	1,032,041
Total assets	$ 15,350,084	$ 17,465,450

See Notes to Financial Statements

	2023	2022
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Current maturities of long-term debt	$ 176,309	$ 178,748
Current portion of subscription liability	392,115	384,371
Accounts payable	439,375	887,536
Accrued salaries and wages and related deductions	370,742	433,164
Accrued vacation	301,684	318,338
Total current liabilities	1,680,225	2,202,157
Long-term Debt	1,343,116	1,519,425
Subscription Liability	265,790	657,905
Total liabilities	3,289,131	4,379,487
Deferred Inflows of Resources		
Unearned revenue - current property taxes	1,793,792	1,793,792
Net Position		
Net investment in capital assets	7,649,676	8,191,729
Restricted - expendable for		
Capital acquisitions	41,708	35,229
Employee activities	611	2,327
Grant activities	-	126,133
Scholarships	1,827	780
Nonexpendable permanent endowments	20,000	20,000
Unrestricted	2,553,339	2,915,973
Total net position	10,267,161	11,292,171
Total liabilities, deferred inflows of resources and net position	$ 15,350,084	$ 17,465,450

Satanta Hospital District
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2023 and 2022

	2023	2022
Operating Revenues		
Net patient service revenue	$ 11,245,195	$ 10,185,479
Retail pharmacy	1,885,042	1,785,590
Independent living	126,370	102,948
Other	111,586	85,532
Total operating revenues	13,368,193	12,159,549
Operating Expenses		
Salaries and wages	7,334,475	7,461,954
Employee benefits	1,735,738	1,679,849
Supplies and other	6,052,305	5,845,590
Depreciation	1,055,760	960,663
Amortization	387,015	387,015
Total operating expenses	16,565,293	16,335,071
Operating Loss	(3,197,100)	(4,175,522)
Nonoperating Revenues (Expenses)		
Property taxes	1,977,418	1,971,390
Interest income	57,660	17,645
Interest expense	(60,904)	(74,690)
Noncapital grants and gifts	197,916	551,618
Provider Relief Funds (*CARES Act*)	-	458,723
Total nonoperating revenues	2,172,090	2,924,686
Decrease in Net Position	(1,025,010)	(1,250,836)
Net Position, Beginning of Year	11,292,171	12,543,007
Net Position, End of Year	$ 10,267,161	$ 11,292,171

Satanta Hospital District
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities		
Receipts from and on behalf of patients	$ 11,340,460	$ 10,417,960
Payments to suppliers	(8,087,019)	(7,253,278)
Payments to employees	(7,413,551)	(7,492,132)
Other receipts, net	2,122,998	1,772,165
Net cash used in operating activities	(2,037,112)	(2,555,285)
Cash Flows From Noncapital Financing Activities		
Property taxes supporting operations	1,977,418	1,971,390
Noncapital grants and gifts	197,916	551,618
Provider Relief Funds (*CARES Act*)	166,771	507,573
Net cash provided by noncapital financing activities	2,342,105	3,030,581
Cash Flows From Capital and Related Financing Activities		
Principal paid on long-term debt	(178,748)	(244,317)
Interest payments on long-term debt	(44,242)	(50,437)
Purchase of capital assets	(474,718)	(409,980)
Principal paid on subscription liability	(384,371)	(376,780)
Interest paid on subscription liability	(16,662)	(24,253)
Net cash used in capital and related financing activities	(1,098,741)	(1,105,767)
Cash Flows From Investing Activities		
Interest income	57,660	17,645
Net cash provided by investing activities	57,660	17,645
Decrease in Cash	(736,088)	(612,826)
Cash, Beginning of Year	1,854,652	2,467,478
Cash, End of Year	$ 1,118,564	$ 1,854,652
Reconciliation of Cash to the Balance Sheets		
Cash in current assets	$ 1,054,418	$ 1,670,183
Restricted cash in current assets	64,146	184,469
Total cash	$ 1,118,564	$ 1,854,652

Satanta Hospital District
Statements of Cash Flows (Continued)
Years Ended December 31, 2023 and 2022

	2023	2022
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (3,197,100)	$ (4,175,522)
Depreciation	1,055,760	960,663
Amortization	387,015	387,015
Provision for uncollectible accounts	(145,835)	752,534
Changes in operating assets and liabilities		
Patient accounts receivable	679,677	105,132
Estimated amounts due from and to third-party payers	(438,577)	(625,185)
Other assets	12,070	(40,440)
Accounts payable and accrued expenses	(390,122)	282,423
Unearned revenue	-	(201,905)
Net cash used in operating activities	$ (2,037,112)	$ (2,555,285)
Noncash Investing, Capital and Financing Activities		
Capital asset purchases in accounts payable	$ 19,025	$ 250,633

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

Nature of Operations and Reporting Entity

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

Basis of Accounting and Presentation

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

Use of Estimates

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

Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. There are no cash equivalents at December 31, 2023 and 2022.

Budgetary Principles

The Hospital is required by state statutes to adopt an annual budget for the unrestricted funds on or before August 25 for the ensuing year. The Hospital's Board of Trustees may amend the budget by transferring budgeted amounts from one object or purpose to another within the same fund. Expenditures may not legally exceed the total amount of the adopted budget of expenditures of the fund which is prepared on a calendar year basis.

Applicable Kansas statutes require the use of an encumbrance system as a management control technique to assist in controlling expenditures. For budgetary purposes, encumbrances of the budgeted unrestricted funds, representing purchase orders, contracts and other commitments, are reported as a charge to the current budget year. All unencumbered appropriations lapse at the end of the year.

Property Taxes

The Hospital received approximately 13% and 13% of its financial support from property taxes in 2023 and 2022, respectively. These funds were used as follows:

	2023	2022
Percentage used to support operations	100%	100%
Percentage used for debt service	0%	0%
	100%	100%

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

Risk Management

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

Patient Accounts Receivable

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

Supplies

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

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

Subscription Assets

Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at, and certain prepayments made before, the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at or before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

Capital and Subscription Asset Impairment

The Hospital evaluates capital and subscription assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital or subscription asset has occurred. If a capital or subscription asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation or amortization is increased by the amount of the impairment loss. No asset impairment was recognized during the years ended December 31, 2023 and 2022.

Compensated Absences

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

Deferred Inflows of Resources

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

Net Position

Net position of the Hospital is classified in four components on its balance sheets.

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

Net Patient Service Revenue

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

Charity Care

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

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.

Income Taxes

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

Leases

Effective January 1, 2022, the Hospital adopted GASB Statement No. 87, *Leases*. The standard establishes a single model for lease accounting based on the foundational 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 governments' leasing activities. The Hospital's lease agreements that were in effect during 2023 and 2022 are immaterial to the financial statements, as a result there are no right-to-use assets or lease liabilities recorded on the balance sheets.

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, 2023 and 2022, respectively, none of the Hospital's bank balances of $1,510,582 and $2,325,630 were exposed to custodial credit risk.

Summary of Carrying Values

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

	2023	2022
Carrying value		
Deposits	$ 1,115,914	$ 1,852,002
Petty cash	2,650	2,650
	$ 1,118,564	$ 1,854,652
Included in the following balance sheet captions		
Cash	$ 1,054,418	$ 1,670,183
Restricted cash	64,146	184,469
	$ 1,118,564	$ 1,854,652

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:

	2023	2022
Medicare	$ 500,277	$ 801,068
Medicaid	56,266	107,493
Blue Cross	125,615	310,842
Other third-party payers	196,353	555,410
Patients	726,143	863,034
	1,604,654	2,637,847
Less allowance for uncollectible accounts	(394,008)	(893,359)
	$ 1,210,646	$ 1,744,488

Note 4. Capital and Subscription Assets

Capital assets activity for the years ended December 31 was:

	2023				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 185,886	$ -	$ -	$ -	$ 185,886
Land improvements	406,002	-	-	29,000	435,002
Buildings	12,859,794	114,950	-	244,346	13,219,090
Fixed equipment	6,272,628	196,302	-	214,301	6,683,231
Major moveable equipment	3,415,883	137,048	(50,825)	159,122	3,661,228
Construction in progress	781,234	26,418	(137,115)	(646,769)	23,768
	23,921,427	474,718	(187,940)	-	24,208,205
Less accumulated depreciation					
Land improvements	287,375	18,239	-	-	305,614
Buildings	9,229,236	390,861	-	-	9,620,097
Fixed equipment	2,032,775	360,623	-	-	2,393,398
Major moveable equipment	2,471,904	286,037	(50,825)	-	2,707,116
	14,021,290	1,055,760	(50,825)	-	15,026,225
Capital Assets, Net	$ 9,900,137	$ (581,042)	$ (137,115)	$ -	$ 9,181,980

	2022				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 185,886	$ -	$ -	$ -	$ 185,886
Land improvements	406,002	-	-	-	406,002
Buildings	12,201,916	-	-	657,878	12,859,794
Fixed equipment	2,674,431	-	-	3,598,197	6,272,628
Major moveable equipment	3,382,355	44,028	-	(10,500)	3,415,883
Construction in progress	4,487,009	539,800	-	(4,245,575)	781,234
	23,337,599	583,828	-	-	23,921,427
Less accumulated depreciation					
Land improvements	270,001	17,374	-	-	287,375
Buildings	8,873,241	355,995	-	-	9,229,236
Fixed equipment	1,785,730	247,045	-	-	2,032,775
Major moveable equipment	2,131,655	340,249	-	-	2,471,904
	13,060,627	960,663	-	-	14,021,290
Capital Assets, Net	$ 10,276,972	$ (376,835)	$ -	$ -	$ 9,900,137

Subscription assets activity for the years ended December 31 was:

	2023				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Subscription IT assets	$ 1,419,056	$ -	$ -	$ -	$ 1,419,056
Less accumulated amortization Subscription IT assets	387,015	387,015	-	-	774,030
Subscription Assets, Net	$ 1,032,041	$ (387,015)	$ -	$ -	$ 645,026

	2022 - *Restated*				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Subscription IT assets	$ 1,419,056	$ -	$ -	$ -	$ 1,419,056
Less accumulated amortization Subscription IT assets	-	387,015	-	-	387,015
Subscription Assets, Net	$ 1,419,056	$ (387,015)	$ -	$ -	$ 1,032,041

Note 5. Professional Liability Coverage and Claims

The Hospital purchases professional liability insurance under a claims-made policy with a fixed premium which provides $500,000 of coverage for each medical incident $1,500,000 of aggregate coverage for the policy years ending December 31, 2023 and 2022. 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 the policy years ending December 31, 2023 and 2022.

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

Note 6. Long-term Obligations

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

	2023					
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	Long-term Portion
Subscription liabilities	$ 1,042,276	$ -	$ 384,371	$ 657,905	$ 392,115	$ 265,790
Notes payable obligations	1,698,173	-	178,748	1,519,425	176,309	1,343,116
	$ 2,740,449	$ -	$ 563,119	$ 2,177,330	$ 568,424	$ 1,608,906

	2022					
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	Long-term Portion
Subscription liabilities	$ 1,419,056	$ -	$ 376,780	$ 1,042,276	$ 384,371	$ 657,905
Notes payable obligations	1,942,490	-	244,317	1,698,173	178,748	1,519,425
	$ 3,361,546	$ -	$ 621,097	$ 2,740,449	$ 563,119	$ 2,177,330

Notes Payable Obligations

The Hospital is obligated under notes payable obligations to finance the purchase of certain equipment. The following is a schedule of debt service requirements by year under the notes payable obligations including interest at rates of 2.74% to 3.66% as of December 31, 2023:

Year Ending December 31,	Total to be Paid	Principal	Interest
2024	$ 215,748	$ 176,309	$ 39,439
2025	215,748	181,222	34,526
2026	215,748	186,243	29,505
2027	215,748	191,410	24,338
2028	215,748	196,712	19,036
2029-2031	611,286	587,529	23,757
	$ 1,690,026	$ 1,519,425	$ 170,601

Subscription Liabilities

The Hospital has one subscription-based information technology arrangement (SBITAs), the term of which expires in 2025. The subscription requires monthly payments of approximately $33,419.

The following is a schedule by year of payments under the SBITAs as of December 31, 2023:

Year Ending December 31	Total to Be Paid	Principal	Interest
2024	$ 401,033	$ 392,115	$ 8,918
2025	267,356	265,790	1,566
	$ 668,389	$ 657,905	$ 10,484

Note 7. Net Patient Service Revenue

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

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

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

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

Approximately 84% and 79% of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2023 and 2022, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

Note 8. Charity Care

The costs of charity care provided under the Hospital's charity care policy were approximately $14,000 and $8,000 for 2023 and 2022, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

Note 9. Pension Plans

Deferred Contribution Plan – 401(a) Plan

The Hospital maintains a defined contribution pension plan (401(a) plan) for all eligible employees. Eligibility is established by all employees who are at least 21 years of age and have completed one or more years of service. Employer contributions are computed at the rate of 2% of annual compensation for all employees. The employer also makes supplemental contributions up to an additional 4% of the annual compensation that eligible employees voluntarily defer into the deferred compensation plan as described below. No employee contributions are permitted to the 401(a) plan. Contributions actually made by the Hospital aggregated $253,351 and $241,659 during 2023 and 2022, respectively.

Deferred Compensation Plan – 457 Plan

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

Note 10. Management/Services Agreement

The Board has contracted with Great Plains Health Alliance, Inc. (GPHA) for various services, including management, data processing and accounting services. The terms of the agreements cover the period of one year and can be canceled with 90 days' notice. The agreements can be renewed after the initial term has expired on a year-to-year basis. Fees incurred for the various services provided by GPHA to the Hospital for the years ended December 31, 2023 and 2022, were $867,430 and $715,905, respectively. Amounts due to GPHA at December 31, 2023 and 2022, totaled $0 and $883, respectively.

Note 11. Great Plains Employee Benefits Trust

In response to amendments to Kansas Insurance Code related to multi-employer welfare arrangements, GPHA restated its existing voluntary employees' beneficiary association (VEBA) trust as described in Section 501(c)(9) of the Internal Revenue Code, which is named the Great Plains Employee Benefits Trust (the Trust). The Trust is governed by its Board of Trustees. One of the purposes of the Trust is to provide the self-funded GPHA Employee Benefits Plan (the Plan) for its member organizations and their participating employees. The Hospital is a member organization in the Trust and substantially all of the Hospital's employees and their dependents are eligible to participate in the Plan. The Plan provides medical benefits, prescription drug benefits and dental benefits for a benefit period that runs each year from July 1 through June 30. The participant's monthly premiums are determined by the Trust. The Trust may change the premiums from time to time. The Plan agreement specifies that the Trust will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of stop-loss amounts. The Trust accrues a provision for self-insured employee benefit claims including both claims reported and claims incurred but not yet reported. If a net deficit position is anticipated by the Trust after consideration of the accrued provision, the Trust will administer insurance assessments to its member organizations based on a systematic allocation method. No assessments were required during 2023 and 2022.

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

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

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

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

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

Provider Relief Fund

During the years ended December 31, 2023 and 2022, the Hospital received $0 and $256,818, 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, 2023 and 2022, the Hospital recognized $0 and $458,723, 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.

Guidance for reporting use of Provider Relief Fund payments received has changed significantly since distributions were authorized through the *CARES Act* in March 2020. The Hospital has evaluated the "Post-Payment Notice of Reporting Requirements" (Notice) and the Frequently Asked Questions (FAQs) issued by HHS for the years ended December 31, 2023 and 2022, and has recognized revenue accordingly. The Hospital will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Hospital's revenues and expenses. The terms and conditions governing the Provider Relief Funds are complex and subject to interpretation and change. If the Hospital is unable to attest to or comply with current or future terms and conditions the Hospital's ability to retain some or all of the distributions received may be affected. The Provider Relief Funds are subject to government oversight, including potential audits.

Other COVID-19 Funding

During the years ended December 31, 2023 and 2022, the Coronavirus Small Rural Hospital Improvement Program provided support to small rural and Critical Access Hospitals (CAHs) which were seeing increased demands for clinical services and equipment, as well as experiencing short-term financial and workforce challenges related to responding to meeting the needs of patients with COVID-19 seeking care at their facilities. These funds were administered through the Small Rural Hospital Improvement Program to provide emergency funding support to CAHs and non-CAH rural hospitals with less than 50 beds. This approach provided funding

directly to the states to target those rural hospitals and the communities they serve who are facing the greatest strain from this crisis. The Hospital received $0 and $90,596, during 2023 and 2022, respectively. Additionally, the Hospital recorded a receivable at December 31, 2022, for $166,771 for amounts that were received in March 2023. The Hospital recognized $0 and $257,367 related to this grant at December 31, 2023 and 2022, respectively. The revenue is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

Note 13. Adoption of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*

Effective January 1, 2023, the Hospital adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA). The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for information technology subscriptions by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain subscription assets and liabilities for subscriptions that previously were recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. 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, 2022, amounts as follows:

	As Restated	Previously Reported	Effect of Adoption
Balance Sheet			
Total assets	$ 17,465,450	$ 16,433,409	$ 1,032,041
Current portion of subscription liability	384,371	-	384,371
Total current liabilities	2,202,157	1,817,786	384,371
Long-term Debt	1,343,116	1,519,425	(176,309)
Total liabilities	4,379,487	3,337,211	1,042,276
Net position - net investment in capital assets	8,191,729	8,201,964	(10,235)
Total net position	11,292,171	11,302,406	(10,235)
Total liabilities and net position	17,465,450	16,433,409	1,032,041
Statements of Revenues, Expenses and Changes in Net Position			
Supplies and other	5,845,590	6,246,623	(401,033)
Amortization	387,015	-	387,015
Total operating expenses	16,335,071	16,349,089	(14,018)
Operating loss	(4,175,522)	(4,189,540)	14,018
Interest expense	(74,690)	(50,437)	(24,253)
Total nonoperating revenues	2,172,090	2,948,939	(776,849)
Increase (decrease) in net position	(1,250,836)	1,240,601	(2,491,437)
Net position, end of year	11,292,171	11,302,406	(10,235)
Statements of Cash Flows			
Payments to suppliers	(7,253,278)	(7,654,311)	401,033
Net cash used in operating activities	(2,555,285)	(2,956,318)	401,033
Principal paid on subscription liability	(376,780)	-	(376,780)
Interest paid on subscription liability	(24,253)	-	(24,253)
Net cash used in capital and related financing activities	(1,105,767)	(704,734)	(401,033)
Operating loss	(4,175,522)	(4,189,540)	14,018
Amortization	387,015	-	387,015
Net cash used in operating activities	(2,555,285)	(2,956,318)	401,033

Supplementary Information

Satanta Hospital District
Comparison of Revenues and Expenses (Cash Basis) – Actual and Tax Budget
Year Ended December 31, 2023

	Actual	Tax Budget	Actual Over (Under) Budget
General Fund:			
Property taxes	$ 1,888,065	$ 1,793,792	$ 94,273
Interest	43	3,000	(2,957)
Total revenue	1,888,108	1,796,792	91,316
Transfer to hospital operations	1,938,065	1,887,039	51,026
Deficiency of revenue over expenditures	(49,957)	$ (90,247)	$ 40,290
Unencumbered cash, beginning of year	56,807		
Unencumbered cash, end of year	$ 6,850		

Attachment B

Management Representation Letter

forvis mazars

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Representation of:
Satanta Hospital District
PO Box 159
Satanta, Kansas 67870

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

The undersigned ("We") are providing this letter in connection with Forvis Mazars' audits of our financial statements as of and for the years ended December 31, 2023 and 2022.

Our representations are current and effective as of the date of Forvis Mazars' report: June 24, 2024.

Our engagement with Forvis Mazars is based on our contract for services dated: November 8, 2023.

Our Responsibility & Consideration of Material Matters

We confirm that we are responsible for the fair presentation of the financial statements subject to Forvis Mazars' report in conformity with accounting principles generally accepted in the United States of America and the Kansas Municipal Audit and Accounting Guide except that supplementary information as required by the Governmental Accounting Standards (GASB), consisting of management's discussion and analysis, has not been prepared.

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

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

Confirmation of Matters Specific to the Subject Matter of Forvis Mazars' Report

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

Broad Matters

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

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2. We acknowledge our responsibility for the design, implementation, and maintenance of:

    a. Internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

    b. Internal control to prevent and detect fraud.

3. We have provided you with:

    a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters.

    b. Additional information that you have requested from us for the purpose of the audit.

    c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

    d. All minutes of trustees meetings held through the date of this letter or summaries of actions of recent meetings for which minutes have not yet been prepared. All unsigned copies of minutes provided to you are copies of our original minutes approved by the board, if applicable, and maintained as part of our records.

    e. All significant contracts and grants.

4. We have responded fully and truthfully to all your inquiries.

Misappropriation, Misstatements, & Fraud

5. We have informed you of all current risks of a material amount that are not adequately prevented or detected by our procedures with respect to:

    a. Misappropriation of assets.

    b. Misrepresented or misstated assets, liabilities, or net position.

6. We have no knowledge of fraud or suspected fraud affecting the entity involving:

    a. Management or employees who have significant roles in internal control over financial reporting, or

    b. Others when the fraud could have a material effect on the financial statements.

7. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, patients, analysts, regulators, suppliers, or others.

8. We have assessed the risk that the financial statements may be materially misstated as a result of fraud and disclosed to you any such risk identified.

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Ongoing Operations

9. We have evaluated whether there are conditions or events known or reasonably knowable, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year of the date of this letter without consideration of potential mitigating effects of management's plans not yet fully implemented and concluded substantial doubt does not exist.

10. We acknowledge the current economic volatility presents difficult circumstances and challenges for our industry. Entities are potentially facing declines in the fair values of investments and other assets, declines in the volume of business, constraints on liquidity, difficulty obtaining financing, significant credit quality problems, etc. We understand the values of the assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments to asset values, allowances for accounts receivable, capital, net realizable value of inventory, etc., that could negatively impact the entity's ability to meet debt covenants or maintain sufficient liquidity.

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

Related Parties

11. We have disclosed to you the identity of all of the entity's related parties and all the related-party relationships of which we are aware.

    In addition, we have disclosed to you all related-party transactions and amounts receivable from or payable to related parties of which we are aware, including any modifications during the year that were made to related-party transaction agreements which existed prior to the beginning of the year under audit, as well as new related-party transaction agreements that were executed during the year under audit.

    Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America and the Kansas Municipal Audit and Accounting Guide except that supplementary information as required by the Governmental Accounting Standards (GASB), consisting of management's discussion and analysis, has not been prepared.

12. We understand that the term related party refers to:

    - Affiliates
    - Entities for which investments are accounted for by the equity method
    - Management and members of their immediate families
    - Any other party with which the entity may deal if one party can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests

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Another party is also a related party if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the entity.

Litigation, Laws, Rulings & Regulations

13. We are not aware of any pending or threatened litigation or claims whose effects should be considered when preparing the financial statements. We have not sought or received attorney's services related to pending or threatened litigation or claims during or subsequent to the audit period. Also, we are not aware of any litigation or claims, pending or threatened, for which legal counsel should be sought.

14. We have provided you with all examination reports, agreements, and related correspondence from regulatory agencies and any related findings.

15. We have no knowledge of communications, other than those specifically disclosed, from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.

16. We have disclosed to you all known instances of violations or noncompliance or possible violations or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements or as a basis for recording a loss contingency.

17. There are no regulatory examinations currently in progress for which we have not received examination reports.

18. We have no reason to believe the entity owes any penalties or payments under the Employer Shared Responsibility Provisions of the *Patient Protection and Affordable Care Act*, nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.

19. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.

Nonattest Services

20. You have provided nonattest services, including the following, during the period of this engagement:

    - Preparing a draft of the financial statements and related notes and supplementary information

21. With respect to these services:

    a. We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.

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b. We have established and monitored the performance of the nonattest services to ensure they meet our objectives.

c. We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.

d. We have evaluated the adequacy of the services performed and any findings that resulted.

e. We have established and maintained internal controls, including monitoring ongoing activities.

f. When we receive final deliverables from you, we will store those deliverables in information systems controlled by us. We have taken responsibility for maintaining internal control over these deliverables.

Financial Statements & Reports

22. We have reviewed and approved a draft of the financial statements and related notes referred to above, which you prepared in connection with your audit of our financial statements. We acknowledge that we are responsible for the fair presentation of the financial statements and related notes.

23. With regard to supplementary information:

    a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria.

    b. We believe the supplementary information is fairly presented, both in form and content, in accordance with the applicable criteria.

    c. The methods of measurement and presentation of the supplementary information are unchanged from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

    d. We believe the significant assumptions or interpretations underlying the measurement and/or presentation of the supplementary information are reasonable and appropriate.

24. We do not issue an annual report, nor do we have plans to issue an annual report at this time.

Transactions, Records, & Adjustments

25. All transactions have been recorded in the accounting records and are reflected in the financial statements.

26. The entity has appropriately reconciled its general ledger accounts to their related supporting information. All related reconciling items considered to be material were identified and included on the reconciliations and were appropriately adjusted in the financial statements. All intracompany (and intercompany) accounts have been eliminated or appropriately measured and considered for disclosure in the financial statements.

27. We have everything we need to keep our books and records.

28. We have disclosed any significant unusual transactions the entity has entered into during the period, including the nature, terms, and business purpose of those transactions.

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29. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the entity's accounts.

30. We believe the effects of the uncorrected financial statement misstatements and omitted disclosures summarized in the attached schedule and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Healthcare Matters

31. We have provided you with all peer review organizations, administrative contractor, and third-party payer reports and information.

32. We have informed you of all pending or completed investigations by regulatory authorities of which we are aware. There are no known circumstances that could jeopardize the entity's participation in the Medicare or other governmental healthcare programs.

33. Adequate provisions and allowances have been accrued for any material losses from Medicare/Medicaid and other third-party payer contractual, audit, or other adjustments.

34. With respect to the entity's possible exposure to past or future medical malpractice assertions:

    a. We have disclosed to you all incidents known to us that could possibly give rise to an assertion of malpractice.

    b. All known incidents have been reported to the appropriate medical malpractice insurer and are appropriately considered in our malpractice liability accrual.

    c. There is no known lapse in coverage, including any lapse subsequent to the fiscal year-end, that would result in any known incidents being uninsured.

    d. Management does not expect any claims to exceed malpractice insurance limits.

    e. We believe our accruals for malpractice claims are sufficient for all known and probable potential claims.

35. Billings to third-party payers comply in all material respects with applicable coding guidelines, laws, and regulations. Billings reflect only charges for goods and services that were medically necessary; properly approved by regulatory bodies, if required; and properly rendered.

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

    a. All required reports have been properly filed.

    b. Management is responsible for the accuracy and propriety of those reports.

    c. All costs reflected on such reports are appropriate and allowable under applicable reimbursement rules and regulations and are patient-related and properly allocated to applicable payers.

    d. The reimbursement methodologies and principles employed are in accordance with applicable rules and regulations.

    e. All items required to be disclosed, including disputed costs that are being claimed to establish a basis for a subsequent appeal, have been fully disclosed in the cost report.

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f. Recorded third-party settlements include differences between filed (and to be filed) cost reports and calculated settlements, which are necessary based upon historical experience or new or ambiguous regulations that may be subject to differing interpretations. While management believes the entity is entitled to all the amounts claimed on the cost reports, management also believes the amounts of these differences are appropriate.

37. With respect to the entity's possible exposure to past or future workers' compensation assertions:

    a. We have disclosed to you all incidents known to us that could possibly give rise to workers' compensation assertion.

    b. All known incidents have been reported to the appropriate workers' compensation insurer.

    c. There is no known lapse in coverage, including any lapse subsequent to the fiscal year-end, that would result in any known incidents being uninsured.

    d. Management does not expect any claims to exceed workers' compensation insurance limits.

38. There are no instances of noncompliance with laws or regulations with respect to Medicare and Medicaid antifraud and abuse statutes, in any jurisdiction, whose effects we believe should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, other than those disclosed or accrued in the financial statements. This is including, but not limited to, the Anti-Kickback statute of the *Medicare and Medicaid Patient and Program Protection Act of 198*7, limitations on certain physician referrals (the Stark law), and the *False Claims Act*.

39. With regards to the payments received from the Provider Relief Fund established by the *CARES Act,* we represent the following:

    a. To the extent revenue has been recognized, we believe we have met the eligibility requirements as outlined in the U.S. Department of Health and Human Services' (HHS) terms and conditions for the Provider Relief Fund.

    b. We believe the method we have utilized to recognize revenue associated with the Provider Relief Fund is consistent with acceptable methods outlined in HHS' terms and conditions and other guidance available as of December 31, 2023.

    c. Consistent with the terms and conditions established by HHS and other guidance available as of December 31, 2023, Provider Relief Fund payments were not used to reimburse expenses or losses that have been reimbursed or are obligated to be reimbursed by other sources, including payments from insurance and/or patients and amounts received from federal, state, or local governments.

    d. We acknowledge that HHS may issue new guidance that could have a material impact on the amount of revenue recognized from the Provider Relief Fund as of December 31, 2023.

Governmental Accounting & Disclosure Matters

40. With regard to deposit and investment activities:

    a. All deposit, repurchase and reverse repurchase agreements, and investment transactions have been made in accordance with legal and contractual requirements.

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b. Investments, derivative instrument transactions, and land and other real estate held by endowments are properly valued.

c. Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.

d. We understand that your audit does not represent an opinion regarding the enforceability of any collateral pledges.

41. The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.

42. We have identified and evaluated all potential fiduciary activities. The financial statements include all fiduciary activities required by GASB Statement No. 84, *Fiduciary Activities*, as amended.

43. Components of net position (net investment in capital assets, restricted, and unrestricted) are properly classified and, if applicable, approved.

44. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.

Accounting & Disclosure

45. All transactions entered into by the entity are final. We are not aware of any unrecorded transactions, side agreements or other arrangements (either written or oral) that are in place.

46. Except as reflected in the financial statements, there are no:

a. Plans or intentions that may materially affect carrying values or classifications of assets, liabilities, or net position.

b. Material transactions omitted or improperly recorded in the financial records.

c. Material unasserted claims or assessments that are probable of assertion or other gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.

d. Events occurring subsequent to the balance sheet date through the date of this letter, which is the date the financial statements were available to be issued, requiring adjustment or disclosure in the financial statements.

e. Agreements to purchase assets previously sold.

f. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit, or similar arrangements.

g. Guarantees, whether written or oral, under which the entity is contingently liable.

h. Known or anticipated asset retirement obligations.

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47. Except as disclosed in the financial statements, the entity has:

    a. Satisfactory title to all recorded assets, and those assets are not subject to any liens, pledges, or other encumbrances.

    b. Complied with all aspects of contractual and grant agreements, for which noncompliance would materially affect the financial statements.

Revenue, Accounts Receivable, & Inventory

48. Adequate provisions and allowances have been accrued for any material losses from:

    a. Uncollectible receivables.

    b. Excess or obsolete inventories.

Estimates

49. We have identified all accounting estimates that could be material to the financial statements and we confirm the appropriateness of the methods and the consistency in their application, the accuracy and completeness of data, and the reasonableness of significant assumptions used by us in making the accounting estimates, including those measured at fair value reported in the financial statements.

50. Significant estimates that may be subject to a material change in the near term have been properly disclosed in the financial statements. We understand that “near term” means the period within one year of the date of the financial statements.

Fair Value

51. With respect to the fair value measurements of financial and nonfinancial assets and liabilities, if any, recognized in the financial statements or disclosed in the notes thereto:

    a. The underlying assumptions are reasonable and they appropriately reflect management’s intent and ability to carry out its stated course of action.

    b. The measurement methods and significant assumptions used in determining fair value are appropriate in the circumstances for financial statement measurement and disclosure purposes and have been consistently applied.

    c. The significant assumptions appropriately reflect market participant assumptions.

    d. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.

    e. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

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GASB Statement 96, Subscription-Based Information Technology Arrangements

52. In connection with the adoption of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96), we represent the following:

    a. We have identified a complete population of potential subscription-based information technology arrangements (SBITAs) as of the implementation date.

    b. We have reviewed all significant contracts to identify subscription and nonsubscription components as of the earliest date of adoption. Allocation of costs between subscription and nonsubscription components are based upon standalone prices or other reasonable factors.

    c. Measurements of the subscription assets and liabilities are based upon facts and circumstances that existed at the beginning of the period of implementation.

    d. The estimates related to any options to extend or terminate the SBITA terms within the measurement of subscription liability and an intangible right to use IT subscription asset agrees to management's plans for the SBITA.

    e. The discount rates for each SBITA are based upon what would be obtained by the entity for similar payment amounts during the subscription term as an incremental rate.

    f. We have adequate controls in place to prevent and/or detect errors in subscription assets and liabilities on a recurring basis.

    g. The footnotes to the financial statements appropriately describe the adoption of GASB 96 and include all additional disclosures required under the GASB 96.

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Tina Pendergraft, CEO

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Kim Leggett, CFO

Attachment:
Schedule of Uncorrected Misstatements and Omitted Disclosures

Attachment C

Schedule of Uncorrected Misstatements

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Appendix B
Satanta Hospital District
Summary of Uncorrected Misstatements and Omitted Disclosures, as applicable
As of and for the Year Ended December 31, 2023

Financial Statement Impact

	As Reported	Misstatements	Subsequent to Misstatements	% Change
Current Assets	$ 5,523,078	$ 54,362	$ 5,577,440	0.98 %
Non-Current Assets	9,827,006	-	9,827,006	- %
Current Liabilities	(3,474,017)	(30,301)	(3,504,318)	0.87 %
Non-Current Liabilities	(1,608,906)	-	(1,608,906)	- %
Current Ratio	(1.59)		(1.59)	- %
Total Assets	15,350,084	54,362	15,404,446	0.35 %
Total Liabilities	(5,082,923)	(30,301)	(5,113,224)	0.60 %
Net Assets	(10,267,161)	(16,752)	(10,283,913)	0.16 %
Revenues	(13,368,193)	(56,373)	(13,424,566)	0.42 %
Expenses	14,393,203	30,301	14,423,504	0.21 %
Change in Net Assets	1,025,010	(26,072)	998,938	(2.54)%

Attachment D

Ratios, Trends, and Analytics

forvis mazars

Ratios, Trends, & Analytics

	FORVIS KS CAH Average	GPHA Average	2023	2022	2021	2023-2022 % Change	2022-2021 % Change
Liquidity Ratios:							
Days cash on hand - current	112	96	25	40	56	-37%	-29%
Days cash on hand - all sources	154	138	26	44	61	-40%	-28%
Days revenue in patient accounts receivable, net	61	57	39	63	91	-37%	-32%
Current ratio	3.69	3.15	3.29	2.97	3.27	11%	-9%
Average payment period of accounts payable	32	20	26	55	27	-52%	107%
Capital/Debt Ratios:							
Average age of plant	17	14	14	15	17	-2%	-13%
Long-term debt to capitalization	45%	20%	13%	13%	13%	0%	0%
Operating and Performance Ratios:							
Charity care as a % of gross patient revenue	1%	1%	0%	0%	1%	0%	-1%
Net patient revenue as a % of gross patient revenue	97%	99%	105%	90%	92%	15%	-2%
Patient days							
Acute	663	577	201	201	327	0%	-39%
Swing-bed	1,383	3,030	654	654	877	0%	-25%
Long-term care			8,956	8,956	13,506	0%	-34%
RHC			7,005	7,005	6,622	0%	6%
Salaries and wages as a % of total of operating expenses	40%	42%	44%	46%	49%	-1%	-4%
Salaries and wages as a % of net patient revenue (labor ratio)	51%	53%	65%	73%	74%	-8%	-1%
Full-time equivalents	156	90	116	116	123	0%	-6%
Patient service revenue per full-time equivalent	$ 120,653	$ 125,559	$ 96,941	$ 87,806	$ 84,554	10%	4%
Salaries and wages per full-time equivalent	$ 56,084	$ 64,867	$ 63,228	$ 64,327	$ 62,698	-2%	3%
Operating margin	-14%	-12%	-24%	-34%	-28%	10%	-6%
Operating margin before depreciation expense	-8%	-5%	-16%	-26%	-22%	10%	-5%
Total margin	5%	3%	-7%	-8%	15%	2%	-24%
Total margin before depreciation expense	10%	9%	0%	-2%	20%	2%	-22%
Tax support	5%	6%	13%	13%	10%	0%	3%