Minneola Hospital District No. 2

Independent Auditor's Report and Financial Statements

December 31, 2022 and 2021



Minneola Hospital District No. 2

December 31, 2022 and 2021

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Independent Auditor's Report

Board of Trustees
Minneola Hospital District No. 2
Minneola, Kansas

Opinion

We have audited the financial statements of Minneola Hospital District No. 2 (Hospital), as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise Minneola Hospital District No. 2'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 Minneola Hospital District No. 2 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 Minneola Hospital District No. 2 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Minneola Hospital District No. 2's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's 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 Minneola Hospital District No. 2'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 Minneola Hospital District No. 2's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

FORVIS, LLP

Wichita, Kansas
January 25, 2024

Minneola Hospital District No. 2
Balance Sheets
December 31, 2022 and 2021

Assets

	2022	2021
Current Assets		*(As Restated)*
Cash	$ 131,365	$ 3,226,160
Patient accounts receivable, net of allowance 2022 – $1,318,279; 2021 – $571,102	2,594,609	2,144,814
Property taxes receivable	1,564,694	1,564,694
Estimated amounts due from third-party payers	-	220,000
Supplies	795,542	647,392
Prepaid expenses and other	358,463	134,970
Total current assets	5,444,673	7,938,030
Noncurrent Cash		
Designated by Board of Trustees	900,048	1,857,839
Restricted by donors for capital acquisitions	790	2,381
Restricted by donors for specific operating activities	1,843	15,255
	902,681	1,875,475
Capital Assets, Net	8,506,069	8,830,077
Lease Assets, Net	2,092	26,002
Total assets	$ 14,855,515	$ 18,669,584

See Notes to Financial Statements

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

	2022	2021
Current Liabilities		*(As Restated)*
Current maturities of long-term debt	$ 168,441	$ 162,840
Current portion of lease liabilities	20,147	23,371
Accounts payable	1,140,240	624,407
Accrued salaries	542,823	444,685
Accrued vacation	437,724	394,133
Accrued payroll taxes	250,530	207,297
Other accrued liabilities	370,347	433,509
Estimated amounts due to third-party payers	390,000	-
Unearned revenue	-	580,997
Advance from Medicare	-	2,096,417
Total current liabilities	3,320,252	4,967,656
Long-term Debt	8,911,964	9,080,405
Long-term Lease Liabilities	-	3,224
Total liabilities	12,232,216	14,051,285
Deferred Inflows of Resources		
Property taxes	1,564,694	1,564,694
Net Position (Deficit)		
Net deficit in capital and lease assets	(592,391)	(413,761)
Restricted - expendable for		
Capital acquisitions	790	2,381
Specific operating activities	1,843	15,255
Unrestricted	1,648,363	3,449,730
Total net position	1,058,605	3,053,605
Total liabilities, deferred inflows of resources and net position (deficit)	$ 14,855,515	$ 18,669,584

Minneola Hospital District No. 2

Statements of Revenues, Expenses and Changes in Net Position

Years Ended December 31, 2022 and 2021

	2022	2021
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2022 – $1,009,843; 2021 – $366,115	$ 12,166,020	$ 12,557,648
Other	867,399	728,743
Total operating revenues	13,033,419	13,286,391
Operating Expenses		
Salaries and wages	8,761,570	7,664,985
Employee benefits	1,677,124	1,595,795
Supplies and other	6,859,651	5,799,692
Depreciation	1,055,194	1,012,493
Amortization	23,910	23,910
Gain on disposal of capital assets	-	2,305
Total operating expenses	18,377,449	16,099,180
Operating Loss	(5,344,030)	(2,812,789)
Nonoperating Revenues (Expenses)		
Property taxes	1,616,081	1,607,866
Noncapital grants and gifts	1,473,148	637,599
Investment income	21,352	18,181
Interest expense	(342,548)	(340,205)
Provider Relief Funds (*CARES Act*)	580,997	2,083,320
Paycheck Protection Program (PPP) loan forgiveness	-	889,325
Total nonoperating revenues	3,349,030	4,896,086
Increase (Decrease) in Net Position	(1,995,000)	2,083,297
Net Position, Beginning of Year	3,053,605	970,308
Net Position, End of Year	$ 1,058,605	$ 3,053,605

Minneola Hospital District No. 2
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows From Operating Activities		
Receipts from and on behalf of patients	$ 10,229,808	$ 11,373,498
Payments to suppliers and contractors	(6,715,461)	(5,926,934)
Payments to employees	(10,316,894)	(9,324,800)
Other receipts, net	286,402	(628,032)
Net cash used in operating activities	(6,516,145)	(4,506,268)
Cash Flows From Noncapital Financing Activities		
Property taxes	1,616,081	1,607,866
Noncapital grants and gifts	1,473,148	637,599
Provider Relief Funds (*CARES Act*)	580,997	2,083,320
Net cash provided by noncapital financing activities	3,670,226	4,328,785
Cash Flows From Capital and Related Financing Activities		
Principal paid on long-term debt	(181,590)	(196,840)
Interest paid on long-term debt	(339,996)	(334,072)
Principal paid on leases payable	(6,448)	(23,317)
Interest paid on leases payable	(2,552)	(6,133)
Purchases of capital assets	(712,436)	(1,688,912)
Net cash used in capital and related financing activities	(1,243,022)	(2,249,274)
Cash Flows From Investing Activities		
Investment income	21,352	18,181
Net cash provided by investing activities	21,352	18,181
Decrease in Cash	(4,067,589)	(2,408,576)
Cash, Beginning of Year	5,101,635	7,510,211
Cash, End of Year	$ 1,034,046	$ 5,101,635
Reconciliation of Cash to the Balance Sheets		
Cash in current assets	$ 131,365	$ 3,226,160
Cash in noncurrent cash	902,681	1,875,475
	$ 1,034,046	$ 5,101,635

Minneola Hospital District No. 2
Statements of Cash Flows (Continued)
Years Ended December 31, 2022 and 2021

	2022	2021
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (5,344,030)	$ (2,812,789)
Depreciation	1,055,194	1,012,493
Amortization	23,910	23,910
Loss on disposal of capital assets	-	2,305
Provision for uncollectible accounts	1,009,843	366,115
Changes in operating assets and liabilities		
Patient accounts receivable	(1,459,638)	(965,880)
Estimated amounts due from and to third-party payers	(1,486,417)	(584,385)
Supplies	(148,150)	(182,642)
Prepaid expenses and other	(223,493)	(74,998)
Accounts payable and accrued expenses	637,633	66,378
Unearned revenue	(580,997)	(1,356,775)
Net cash used in operating activities	$ (6,516,145)	$ (4,506,268)
Noncash Investing, Capital and Financing Activities		
Long-term debt incurred for purchase of capital assets	$ 18,750	$ -
Paycheck Protection Program (PPP) loan forgiveness	$ -	$ 889,325

Minneola Hospital District No. 2
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

Minneola Hospital District No. 2 (Hospital) is a municipality of the state of Kansas and is governed by a Board of Trustees (Board) who is elected by the residents of the District. The Hospital consists of an acute care hospital, long-term care unit, and rural health clinics located in Minneola, Kansas and the surrounding area. The Hospital is licensed as a critical access hospital (CAH).

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 (principally federal and state grants and county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated or voluntary nonexchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific (such as county appropriations), property taxes, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Hospital first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Budgetary Principles

The Hospital is required by state statutes to adopt annual budgets on or before August 25 for the ensuing calendar year. The Board 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 individual funds.

For budget purposes, the general fund utilizes the modified accrual basis of accounting. The modification in such method from the accrual basis is that revenues are recognized when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized when the related fund liability is incurred.

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 governmental fund types, representing purchase orders, contracts and other commitments, are reported as a charge to the current year budget. All unencumbered appropriations lapse at the end of the calendar year. There were no material encumbrances at December 31, 2022 and 2021. Budgeted revenue and expenditure amounts represent the original budget adopted by the Board.

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 or that have not been designated by the Board for capital acquisitions to be cash equivalents. There were no cash equivalents at December 31, 2022 and 2021.

Noncurrent Cash and Investment Income

Noncurrent cash and investments consist of funds internally designated by the Board for future capital acquisitions, over which the Board retains control and may, at its discretion, subsequently use for other purposes. Noncurrent cash also include assets held by the Hospital auxiliary and restricted funds by grantors and donors.

Investment income consists of interest income earned on cash and noncurrent cash.

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, determined using the first-in, first-out method, or net realizable value.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Hospital:

Land improvements	12-15 years
Buildings	10-50 years
Fixed equipment	5-30 years
Moveable equipment	5-30 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.

Compensated Absences

The Hospital's policies permit employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in the case of accumulated vacation, 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 other than medical malpractice and employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

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, adjustments could be required to any revenue recognized. The Hospital received legal notice on October 21, 2021, that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment as nonoperating revenue in the accompanying statements of revenues, expenses and changes in net position.

Deferred Inflows of Resources

The Hospital reports the acquisition of net position that is applicable to a future reporting period as deferred inflows of resources in a separate section of its balance sheets. Deferred inflows of resources consist of property taxes levied against members of the tax district.

Net Position (Deficit)

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

- Net investment (deficit) in capital and lease assets consists 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.
- Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Hospital, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital and lease assets or restricted net position.

Net Patient Service Revenue

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

Charity Care

The Hospital provides 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.

Property Taxes

The Hospital received approximately 10% and 9% of its financial support from property taxes in 2022 and 2021, respectively.

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. The county treasurer is the tax collection agent for all taxing entities within the county. Property owners have the option of paying one half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the county treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, for revenue recognition purposes, the taxes levied during the current year are not due and receivable until the ensuing year. At December 31, such taxes are a lien on the property and are recorded as taxes receivable, net of amounts received and anticipated delinquencies. Taxes receivable are also deferred and amortized ratably to income throughout the fiscal year.

Provider Relief Funds (CARES Act)

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

Income Taxes

As an essential government entity, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the Hospital is subject to federal income tax on any unrelated business taxable income.

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, $1,048,516 and $5,059,396 of the Hospital's bank balances of $1,298,516 and $5,309,396 were exposed to custodial credit risk as follows:

	2022	2021
Uninsured and collateral held by pledging financial institution's trust department or agent in other than the Hospital's name	$ 1,048,516	$ 5,059,396

Summary of Carrying Values

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

	2022	2021
Cash	$ 131,365	$ 3,226,160
Noncurrent cash	902,681	1,875,475
	$ 1,034,046	$ 5,101,635

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	$ 1,340,187	$ 1,087,446
Medicaid	136,904	119,624
Blue Cross	550,010	317,180
Other third-party payers	1,126,364	503,554
Self-pay	759,423	688,112
	3,912,888	2,715,916
Less allowance for uncollectible accounts	1,318,279	571,102
	$ 2,594,609	$ 2,144,814

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	$ 94,601	$ 20,000	$ -	$ -	$ 114,601
Land improvements	293,078	-	-	-	293,078
Buildings	10,500,310	303,224	-	(5,625)	10,797,909
Fixed equipment	1,254,447	15,304	-	15,700	1,285,451
Major moveable equipment	3,212,525	273,794	(32,570)	44,609	3,498,358
Construction in progress	10,500	118,864	-	(54,684)	74,680
	15,365,461	731,186	(32,570)	-	16,064,077
Less accumulated depreciation					
Land improvements	57,339	20,662	-	-	78,001
Buildings	3,732,584	603,965	-	-	4,336,549
Fixed equipment	742,020	110,929	-	-	852,949
Major moveable equipment	2,003,441	319,638	(32,570)	-	2,290,509
	6,535,384	1,055,194	(32,570)	-	7,558,008
Capital Assets, Net	$ 8,830,077	$ (324,008)	$ -	$ -	$ 8,506,069

	2021 - (As *Restated)*				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 84,601	$ -	$ -	$ 10,000	$ 94,601
Land improvements	176,985	79,506	-	36,587	293,078
Buildings	9,801,797	92,638	(9,877)	615,752	10,500,310
Fixed equipment	1,056,237	-	-	198,210	1,254,447
Major moveable equipment	2,854,164	225,693	(325,072)	457,740	3,212,525
Construction in progress	216,205	1,112,584	-	(1,318,289)	10,500
	14,189,989	1,510,421	(334,949)	-	15,365,461
Less accumulated depreciation					
Land improvements	43,100	14,239	-	-	57,339
Buildings	3,152,430	587,773	(7,619)	-	3,732,584
Fixed equipment	610,306	131,714	-	-	742,020
Major moveable equipment	2,049,699	278,767	(325,025)	-	2,003,441
	5,855,535	1,012,493	(332,644)	-	6,535,384
Capital Assets, Net	$ 8,334,454	$ 497,928	$ (2,305)	$ -	$ 8,830,077

Lease assets activity for the years ended December 31 was:

	2022				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Major moveable equipment	$ 49,912	$ -	$ -	$ -	$ 49,912
Less accumulated amortization					
Major moveable equipment	23,910	23,910	-	-	47,820
Lease Assets, Net	$ 26,002	$ (23,910)	$ -	$ -	$ 2,092

	2021 - (As *Restated)*				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Major moveable equipment	$ 49,912	$ -	$ -	$ -	$ 49,912
Less accumulated amortization					
Major moveable equipment	-	23,910	-	-	23,910
Lease Assets, Net	$ 49,912	$ (23,910)	$ -	$ -	$ 26,002

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				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Revenue bonds payable					
Series 2018-1	$ 8,580,706	$ -	$ (149,660)	$ 8,431,046	$ 154,899
Series 2018-2	662,539	-	(13,180)	649,359	13,542
Financed capital purchases	-	18,750	(18,750)	-	-
Total long-term debt	9,243,245	18,750	(181,590)	9,080,405	168,441
Long-term liabilities					
Lease liabilities	26,595	-	(6,448)	20,147	20,147
Total long-term liabilities	26,595	-	(6,448)	20,147	20,147
Total long-term obligations	$ 9,269,840	$ 18,750	$ (188,038)	$ 9,100,552	$ 188,588

	2021 - (As *Restated)*				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Revenue bonds payable					
Series 2018-1	$ 8,725,305	$ -	$ (144,599)	$ 8,580,706	$ 149,660
Series 2018-2	675,366	-	(12,827)	662,539	13,180
PPP loan payable to bank	889,325		(889,325)	-	-
Financed capital purchases	39,414	-	(39,414)	-	-
Total long-term debt	10,329,410	-	(1,086,165)	9,243,245	162,840
Long-term liabilities					
Lease liabilities	49,912	-	(23,317)	26,595	23,371
Total long-term liabilities	49,912	-	(23,317)	26,595	23,371
Total long-term obligations	$ 10,379,322	$ -	$ (1,109,482)	$ 9,269,840	$ 186,211

Hospital Refunding and Improvement Revenue Bonds – Series 2018-1

On February 26, 2018, the Hospital issued $9,000,000 in Series 2018-1 Hospital Refunding and Improvement Revenue Bonds with an average interest rate of 3.50% to advance refund the outstanding 2015 Series bonds with an average interest rate of 2.56%. The net proceeds of $9,000,000, after payment of underwriting fees and other issuance costs, were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2015 Series bonds. As a result, the 2015 Series bonds are considered to be defeased, and the liability for those bonds has been removed from the Hospital's balance sheet.

Hospital Revenue Bonds – Series 2018-2

The Series 2018-2 Hospital Revenue Bonds payable consist of bonds in the original amount of $700,000 dated February 26, 2018, which bear interest at 2.75%. The bonds are payable in annual installments through February 26, 2053. The Hospital is required to make monthly deposits at a pro-rated amount of the next maturing principal and interest to the debt service fund held by the trustee. All of the bonds still outstanding may be redeemed at the Hospital's option at any time, at 100%. The bonds are secured by the net revenues of the Hospital. Proceeds from the issuance of these bonds were used to pay project costs related to capital expenditures.

The indenture agreements require the Hospital to comply with certain restrictive covenants including maintaining a historical debt service coverage ratio of at least 1.10. The Hospital failed to comply with the required debt service coverage ratio of at least 1.10 at December 31, 2022. Under the bond agreement, the Hospital is required to engage a consultant to help determine a plan to get the Hospital back to a financial position where they are in compliance with the required covenants.

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 $889,325 in 2020. The Hospital received legal notice on October 21, 2021, that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment as nonoperating revenue in the accompanying statements of revenues, expenses and changes in net position.

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	Principal	Interest
2023	$ 481,385	$ 168,441	$ 312,944
2024	481,385	174,235	307,150
2025	481,384	180,228	301,156
2026	481,385	186,429	294,956
2027	481,385	192,844	288,541
2028-2032	2,406,924	1,068,469	1,338,455
2033-2037	2,406,924	1,265,531	1,141,393
2038-2042	2,406,924	1,499,074	907,850
2043-2047	2,406,923	1,775,871	631,052
2048-2052	2,406,923	2,103,958	302,965
2053	481,382	465,325	16,057
	$ 14,922,924	$ 9,080,405	$ 5,842,519

Financed Capital Purchases

Financed capital purchases are in the form of notes payable to bank and/or vendor, with various maturity dates through June 2022. Principal and interest is payable monthly. The interest rates range from 1.53% to 8.00%. The notes are secured by certain capital assets.

Lease Liabilities

The Hospital leases equipment, the terms of which expire in various years through 2023. 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	$ 20,513	$ 20,147	$ 366

Note 6: Professional Liability Coverage and Claims

The Hospital purchases professional liability insurance under a claims-made policy with a fixed premium, which provides $500,000 and $200,000 of coverage for each medical incident and $1,500,000 and $600,000 of aggregate coverage for the policy years ending December 31, 2022 and 2021, respectively. The policies 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 and $800,000 of coverage for each medical incident and $1,500,000 and $2,400,000 of aggregate coverage for the policy years ending December 31, 2022 and 2021, respectively.

Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of professional liability 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 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 57% and 62% 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: Charity Care

The costs of charity care provided under the Hospital's charity care policy were approximately $21,000 and $38,000 for 2022 and 2021, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

Note 9: 340B Drug Pricing Program

The Hospital participates in the 340B Drug Pricing Program (340B Program) enabling the Hospital to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Hospital recorded revenues related to the 340B Program of $442,375 and $505,850 for the years ending December 31, 2022 and 2021, respectively, which is included in other operating revenue in the accompanying statement of revenues and expenses and changes in net position. The Hospital recorded expenses related to the 340B Program of $377,661 and $337,634 for the years ending December 31, 2022 and 2021, respectively, which is included in supplies and other in the accompanying statements of revenues and expenses and changes in net position. The 340B Program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to financial statement amounts related to the 340B Program could occur in the near term.

Note 10: Pension Plans

The Hospital provides a defined contribution plan (401(a) plan) for all eligible employees. Eligibility is established for all employees who have completed one year of service (at least 1,000 paid hours) and be 21 years of age or older. Hospital contributions to the plan are computed at the rate of 4.5% of an employee's annual compensation up to $150,000. Employee contribution to the plans are computed at the rate of 2.5% of an employee's annual compensation up to $150,000. Benefits are funded by a money-purchase annuity contract with an insurance company. The plan is funded for past service on an installment basis over the estimated remaining duration of employment from the effective date of the plan to the employee's normal retirement date. In case of death or termination of employee prior to retirement, all funds contributed by the Hospital which are not vested will be returned to the Hospital. Contributions made by plan members were $136,811 and $133,004 for 2022 and 2021, respectively. Contributions made by the Hospital were $227,251 and $237,507 for 2022 and 2021, respectively.

The Hospital provides one additional deferred compensation plan (457 plan). Contributions made by plan members were $143,659 and $125,388 for 2022 and 2021, respectively. The Hospital does not make contributions to the 457 plan.

Note 11: GPHA 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 insurance assessments were necessary in 2022 and 2021.

Note 12: Compliance with Budgetary Statutes

Kansas statutes require that fixed budgets be legally adopted for all enterprise and debt service funds. Budgets are prepared utilizing the modified accrual basis of accounting. Kansas statutes prohibit creating expenditures in excess of the total amount of the adopted budget of expenditures, which is prepared on a calendar year basis. Calendar year budgeted expenditures are compared to the Hospital's enterprise fund, which are on an annualized calendar year basis as follows:

	2022		
	Actual	Budget	Variance Under (Over)
General Fund			
Revenues			
Taxes	$ 1,616,081	$ 1,564,694	$ (51,387)
Patient related revenues	13,175,863	13,500,000	324,137
Investment income	21,352	30,000	8,648
Other	2,921,544	1,635,000	(1,286,544)
Total revenues	17,734,840	16,729,694	(1,005,146)
Expenses			
Patient related expenses	17,298,345	16,396,369	(901,976)
Interest expense	342,548	-	(342,548)
Capital outlay	731,186	120,000	(611,186)
Total expenses	18,372,079	16,516,369	(1,855,710)
Excess (deficiency) of revenues over expenses	$ (637,239)	$ 213,325	$ (850,564)

	2021		
	Actual	Budget	Variance Under (Over)
General Fund			
Revenues			
Taxes	$ 1,607,866	$ 1,564,694	$ (43,172)
Patient related revenues	12,923,763	11,465,515	(1,458,248)
Investment income	18,181	17,540	(641)
Other	3,449,662	1,475,000	(1,974,662)
Total revenues	17,999,472	14,522,749	(3,476,723)
Expenses			
Patient related expenses	15,060,472	16,228,725	1,168,253
Interest expense	340,205	-	(340,205)
Capital outlay	1,510,421	462,500	(1,047,921)
Total expenses	16,911,098	16,691,225	(219,873)
Excess (deficiency) of revenues over expenses	$ 1,088,374	$ (2,168,476)	$ 3,256,850

The following reconciliation is presented to provide a correlation between the different basis of accounting for reporting in accordance with accounting principles generally accepted in the United States of America and for reporting on the budgetary basis:

	2022	2021
Increase (decrease) in net position - financial basis	$ (1,995,000)	$ 2,083,297
Depreciation	1,055,194	1,012,493
Amortization	23,910	23,910
Gain on disposal of capital assets	-	2,305
Provision for uncollectible accounts	1,009,843	366,115
Capital outlay	(731,186)	(1,510,421)
PPP loan forgiveness	-	(889,325)
Excess (deficiency) of revenues over expenses	$ (637,239)	$ 1,088,374

Note 13: COVID-19 Pandemic & *CARES Act* Funding

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

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

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

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

Provider Relief Fund

During the years ended December 31, 2022 and 2021, the Hospital received $0 and $726,545, 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 $580,997 and $2,083,320, respectively, related to the Provider Relief Fund, and these payments are recorded as Provider Relief Funds (*CARES Act*), classified as nonoperating revenues in the accompanying statements of revenues, expenses and changes in net position. The unrecognized amount of Provider Relief Fund distributions of $0 and $580,997 is recorded as 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 effect of the pandemic on the Hospital's revenues and expenses. The terms and conditions governing the Provider Relief Funds are complex and subject to interpretation and change. If the Hospital is unable to attest to or comply with current or future terms and conditions the Hospital's ability to retain some or all of the distributions received may be affected. The Provider Relief Funds are subject to government oversight, including potential audits.

Medicare Accelerated and Advanced Payment Program

During 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 $3,192,390 from these accelerated Medicare payment requests. During the years ended December 31, 2022 and 2021, Medicare applied $2,096,417 and $1,095,973, respectively, from these accelerated Medicare payment requests against filed claims. The unapplied amount of accelerated Medicare payment requests is recorded under the caption advance from Medicare in the accompanying balance sheets and classified as a current and a long-term liability based upon payback provisions in effect at December 31, 2021.

Paycheck Protection Program (PPP) Loan

During the year ended December 31, 2020, the Hospital received a PPP loan of $889,325 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 October 21, 2021, that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment as nonoperating revenue in the accompanying statements of revenues, expenses and changes in net position.

Other COVID-19 Funding

During the year ended December 31, 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 $113,168 during 2022 and recorded a receivable for $144,199 related to this grant at December 31, 2022. The receivable is recorded as a component of prepaid expenses and other in the accompanying balance sheets. The Hospital recognized $257,367 during 2022, related to this Small Rural Hospital Improvement Program (SHIP) grant and revenue is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

In November 2021, the Hospital received $71,635 in 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 $71,635 for the year ended December 31, 2021, and the payment is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

Note 14: 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	$ 8,830,077	$ 8,856,079	$ (26,002)
Lease assets, net	26,002	-	26,002
Current maturities of long-term debt	162,840	183,808	(20,968)
Current portion of lease liabilities	23,371	-	23,371
Total current liabilities	4,967,656	4,965,253	2,403
Long-term debt	9,080,405	9,083,297	(2,892)
Long-term lease liabilities	3,224	-	3,224
Total liabilities	14,051,285	14,048,550	2,735
Net position - net deficit in capital and lease assets	(413,761)	(411,026)	(2,735)
Net position - unrestricted	3,449,730	3,449,730	-
Statements of Revenues, Expenses and Changes in Net Position			
Depreciation	1,012,493	1,036,403	(23,910)
Amortization	23,910	-	23,910
Net position - beginning of year	970,308	973,043	(2,735)
Net position, end of year	3,053,605	3,056,340	(2,735)
Statements of Cash Flows			
Principal paid on long-term debt	(196,840)	(220,157)	23,317
Interest paid on long-term debt	(334,072)	(340,205)	6,133
Principal paid on leases payable	(23,317)	-	(23,317)
Interest paid on leases payable	(6,133)	-	(6,133)
Depreciation	1,012,493	1,036,403	(23,910)
Amortization	23,910	-	23,910

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 not disclosures regarding a SBITA. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.