Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center



Independent Auditor's Report and Financial Statements

December 31, 2022 and 2021

Hospital District No. 6 of Harper County, Kansas
d/b/a Patterson Health Center
December 31, 2022 and 2021

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Independent Auditor's Report

Board of Directors
Hospital District No. 6 of Harper County, Kansas
d/b/a Patterson Health Center
Anthony, Kansas

Opinion

We have audited the financial statements of Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center (Health Center), as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center'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 Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center 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 Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center 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, 2022, Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. 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.

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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 Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center'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 Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center'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 Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Health Center's basic financial statements. The supplementary information listed in the table of contents 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

FORVIS, LLP

Wichita, Kansas
May 18, 2023

Hospital District No. 6 of Harper County, Kansas
d/b/a Patterson Health Center
Balance Sheets
December 31, 2022 and 2021

Assets and Deferred Outflows of Resources

	2022	2021
Current Assets		*(As Restated)*
Cash	$ 7,858,867	$ 8,864,674
Restricted cash	139,746	97,076
Patient accounts receivable, net of allowance; 2022 - $635,000, 2021 - $660,000	1,622,529	2,729,877
Property taxes receivable	1,720,322	1,421,411
Estimated amounts due from Medicare	605,000	340,000
Supplies	1,125,730	1,149,369
Prepaid expenses and other	339,206	532,689
Total current assets	13,411,400	15,135,096
Noncurrent Deposits		
Cash - project fund	545,033	551,608
Certificates of deposit	1,863,807	1,855,289
Total noncurrent deposits	2,408,840	2,406,897
Capital Assets, Net	26,332,603	28,428,652
Lease Assets, Net	170,988	252,207
Prepaid Expenses - Noncurrent	28,172	488,568
Total assets	42,352,003	46,711,420
Deferred Outflows of Resources - Pension		
Pension	3,137,093	2,689,693
Other postemployment benefits	243,162	283,872
Total deferred outflows of resources	3,380,255	2,973,565
Total assets and deferred outflows of resources	$ 45,732,258	$ 49,684,985

See Notes to Financial Statements

Liabilities, Deferred Inflows of Resources and Net Position

	2022	2021
Current Liabilities		*(As Restated)*
Current maturities of long-term debt	$ 611,139	$ 589,696
Current portion of lease liabilities	115,836	104,583
Accounts payable	184,710	473,096
Accrued expenses	1,022,028	1,044,163
Unearned revenue	-	1,305,384
Total current liabilities	1,933,713	3,516,922
Long-term Debt	4,724,499	5,336,256
Long-term Lease Liabilities	62,465	152,803
Net Pension Liability	7,950,448	5,084,562
Total Other Postemployment Benefits Liability	223,195	259,481
Total liabilities	14,894,320	14,350,024
Deferred Inflows of Resources		
Pension	881,419	3,180,471
Other postemployment benefits	178,911	145,603
Property taxes	1,733,450	1,432,830
Total deferred inflows of resources	2,793,780	4,758,904
Net Position		
Net investment in capital assets	21,541,998	23,054,308
Unrestricted	6,502,160	7,521,749
Total net position	28,044,158	30,576,057
Total liabilities, deferred inflows of resources and net position	$ 45,732,258	$ 49,684,985

Hospital District No. 6 of Harper County, Kansas
d/b/a Patterson Health Center
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2022 and 2021

	2022	2021
		(As Restated)
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2022 - $898,191, 2021 - $642,979	$ 15,260,277	$ 15,363,149
340B drug pricing program	4,875,672	3,742,272
Other operating revenues	330,006	400,409
Total operating revenues	20,465,955	19,505,830
Operating Expenses		
Salaries and wages	9,113,345	8,497,356
Employee benefits	2,973,690	2,056,562
Purchased services and professional fees	2,676,418	2,224,429
Supplies and other	8,309,623	7,156,307
Depreciation	2,988,928	3,174,475
Amortization	112,336	106,113
Total operating expenses	26,174,340	23,215,242
Operating Loss	(5,708,385)	(3,709,412)
Nonoperating Revenues (Expenses)		
Interest income	48,203	32,662
Interest expense	(180,866)	(212,321)
Gain on disposal of capital assets	28,478	-
Noncapital contributions	295,095	162,531
Property tax appropriations	1,456,099	1,444,825
Provider Relief Funds (*CARES Act*)	1,305,384	4,196,578
Total nonoperating revenues (expenses)	2,952,393	5,624,275
Excess (Deficiency) of Revenue Over Expenses Before Capital Grants and Gifts	(2,755,992)	1,914,863
Capital Grants and Gifts	224,093	25,304
Increase (Decrease) in Net Position	(2,531,899)	1,940,167
Net Position, Beginning of Year	30,576,057	28,635,890
Net Position, End of Year	$ 28,044,158	$ 30,576,057

Hospital District No. 6 of Harper County, Kansas
d/b/a Patterson Health Center
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
		(As Restated)
Cash Flows From Operating Activities		
Receipts from and on behalf of patients	$ 16,102,625	$ 15,350,155
Payments to suppliers and contractors	(10,596,909)	(9,254,456)
Payments to employees	(11,952,004)	(10,809,956)
Other receipts, net	3,902,003	1,226,408
Net cash used in operating activities	(2,544,285)	(3,487,849)
Cash Flows From Noncapital Financing Activities		
Noncapital grants and gifts	295,095	162,531
Property taxes supporting operations	1,456,099	1,444,825
Provider Relief Funds (*CARES Act*)	1,305,384	4,196,578
Net cash provided by noncapital financing activities	3,056,578	5,803,934
Cash Flows From Capital and Related Financing Activities		
Principal paid on long-term debt	(590,314)	(530,709)
Principal paid on leases payable	(110,202)	(100,934)
Capital grants and gifts	224,093	25,304
Proceeds from sale of capital assets	28,478	-
Interest paid on long-term debt	(169,011)	(198,196)
Interest paid on leases payable	(11,855)	(14,125)
Purchase of capital assets	(892,879)	(371,495)
Net cash used in capital and related financing activities	(1,521,690)	(1,190,155)
Cash Flows From Investing Activities		
Purchase of certificates of deposit	(1,863,807)	(2,411,621)
Proceeds from maturities of certificates of deposit	1,855,289	2,394,023
Interest on deposits	48,203	32,662
Net cash provided by investing activities	39,685	15,064
Increase (Decrease) in Cash	(969,712)	1,140,994
Cash, Beginning of Year	9,513,358	8,372,364
Cash, End of Year	$ 8,543,646	$ 9,513,358

Hospital District No. 6 of Harper County, Kansas
d/b/a Patterson Health Center
Statements of Cash Flows (Continued)
Years Ended December 31, 2022 and 2021

	2022	2021
Reconciliation of Cash to the Balance Sheets		*(As Restated)*
Cash	$ 7,858,867	$ 8,864,674
Restricted cash	139,746	97,076
Cash - project fund	545,033	551,608
	$ 8,543,646	$ 9,513,358
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (5,708,385)	$ (3,709,412)
Depreciation	2,988,928	3,174,475
Amortization	112,336	106,113
Provision for uncollectible accounts	898,191	642,979
Changes in operating assets and liabilities		
Patient accounts receivable	209,157	(133,955)
Supplies	23,639	(421,249)
Prepaid expenses and other assets	653,879	338,358
Accounts payable and accrued liabilities	(308,812)	400,103
Estimated third-party payer settlements	(265,000)	(590,000)
Unearned revenue	(1,305,384)	(2,873,711)
Net pension liability	2,865,886	(2,073,262)
Total other postemployment benefits liability	(36,286)	(209,575)
Deferred outflows of resources - pension and OPEB	(406,690)	720,351
Deferred inflows of resources - pension and OPEB	(2,265,744)	1,140,936
Net cash used in operating activities	$ (2,544,285)	$ (3,487,849)
Noncash Investing, Capital and Financing Activities		
Long-term debt incurred for purchase of capital assets	$ -	$ 400,000
Lease obligation incurred for lease assets	$ 31,117	$ -

Hospital District No. 6 of Harper County, Kansas
d/b/a Patterson Health Center
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

Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center, (the Health Center), was organized for the purpose of providing health care services to patients in Harper County, Kansas and the surrounding area. The Health Center is governed by a Board of Directors elected by the registered voters of the District. The Health Center primarily earns revenues by providing inpatient and outpatient services to patients in south central Kansas.

Basis of Accounting and Presentation

The financial statements of the Health Center 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 property and sales taxes) 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 Health Center first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

Budgetary Principles

The Health Center is required by state statutes to adopt annual budgets on or before August 25th 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 and debt service funds utilize 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, deferred outflows of resources, liabilities and deferred inflows 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 Health Center considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2022 and 2021, there were no cash equivalents.

Noncurrent Deposits

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

Property Tax Revenues

The Health Center received approximately 6% of its financial support from property taxes in 2022 and 2021. One hundred percent of those funds were used to support operations of the Health Center in both years.

Property taxes are levied in November and are received beginning in January of the following year. Revenue from property taxes is recognized in the year for which the taxes are levied.

Risk Management

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

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

Patient Accounts Receivable

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

Supplies

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

Capital Assets

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

Land improvements	3 - 20 years
Buildings and leasehold improvements	5 - 40 years
Equipment	3 - 20 years

Lease Assets

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

Capital and Lease Asset Impairment

The Health Center 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 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

Health Center policies permit most employees to accumulate vacation 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. 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 Outflows of Resources

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

Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

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

Defined Benefit Other Postemployment Benefit Plan

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

Deferred Inflows of Resources

The Health Center reports an 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.

Net Position

Net position of the Health Center is classified in two components on its balance sheets.

- Net investment in capital assets consists of capital and lease assets net of accumulated depreciation and amortization and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets.

Net Patient Service Revenue

The Health Center has agreements with third-party payers that provide for payments to the Health Center 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.

Uncompensated Care

The Health Center provides care at amounts less than its established rates to patients meeting certain criteria under its uncompensated care policy. Because the Health Center does not pursue collection of amounts determined to qualify as uncompensated 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 Health Center 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 Health Center 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 a Hospital District (a political subdivision of Harper County and the state of Kansas), the Health Center is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. The Health Center has also obtained 501(c)(3) status with the IRS.

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 Health Center'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, $8,529,361 and $9,296,242 of the Health Center's bank balances of $9,183,490 and $9,862,966, respectively, were exposed to custodial credit risk as follows:

	2022	2021
Uninsured and collateral held by pledging financial institution	$ 8,529,361	$ 9,296,242

Summary of Carrying Values

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

	2022	2021
Carrying value		
Deposits	$ 10,407,053	$ 11,368,247
Petty cash	400	400
	$ 10,407,453	$ 11,368,647
Included in the following balance sheet captions		
Cash	$ 7,858,867	$ 8,864,674
Restricted cash	139,746	97,076
Cash - project fund	545,033	551,608
Noncurrent deposits - certificates of deposit	1,863,807	1,855,289
	$ 10,407,453	$ 11,368,647

Note 3: Patient Accounts Receivable

The Health Center 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	$ 629,930	$ 1,166,528
Medicaid	97,320	153,594
Other third-party payers	770,365	882,185
Patients	759,914	1,187,570
	2,257,529	3,389,877
Less allowance for uncollectible accounts	635,000	660,000
	$ 1,622,529	$ 2,729,877

Note 4: Capital and Lease Assets

Capital asset activity for the years ended December 31 was:

	2022				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 10,000	$ -	$ -	$ -	$ 10,000
Land improvements	284,608	9,844	-	-	294,452
Buildings	30,793,035	-	-	-	30,793,035
Construction in process	-	300,750	-	-	300,750
Equipment	5,158,987	582,285	-	-	5,741,272
	36,246,630	892,879	-	-	37,139,509
Less accumulated depreciation					
Land improvements	2,284,314	2,104,847	-	-	4,389,161
Buildings	2,876,143	30,748	-	-	2,906,891
Equipment	2,657,521	853,333	-	-	3,510,854
	7,817,978	2,988,928	-	-	10,806,906
Capital Assets, Net	$ 28,428,652	$ (2,096,049)	$ -	$ -	$ 26,332,603

	2021				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 10,000	$ -	$ -	$ -	$ 10,000
Land improvements	284,608	-	-	-	284,608
Buildings	30,316,963	19,023	-	457,049	30,793,035
Construction in process	4,550	452,499	-	(457,049)	-
Equipment	4,859,014	299,973	-	-	5,158,987
	35,475,135	771,495	-	-	36,246,630
Less accumulated depreciation					
Land improvements	180,941	2,103,373	-	-	2,284,314
Buildings	2,869,143	7,000	-	-	2,876,143
Equipment	1,593,419	1,064,102	-	-	2,657,521
	4,643,503	3,174,475	-	-	7,817,978
Capital Assets, Net	$ 30,831,632	$ (2,402,980)	$ -	$ -	$ 28,428,652

Lease asset activity for the years ended December 31 was:

	2022				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Equipment	$ 358,320	$ 31,117	$ -	$ -	$ 389,437
	358,320	31,117	-	-	389,437
Less accumulated amortization					
Equipment	106,113	112,336	-	-	218,449
	106,113	112,336	-	-	218,449
Lease Assets, Net	$ 252,207	$ (81,219)	$ -	$ -	$ 170,988

	2021				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Equipment	$ 358,320	$ -	$ -	$ -	$ 358,320
	358,320	-	-	-	358,320
Less accumulated amortization					
Equipment	-	106,113	-	-	106,113
	-	106,113	-	-	106,113
Lease Assets, Net	$ 358,320	$ (106,113)	$ -	$ -	$ 252,207

Note 5: Long-term Obligations

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

	2022					
	Beginning Balance	Additions	Payments	Ending Balance	Amounts Due Within One Year	Long-term Portion
Long-term debt						
Hospital revenue bonds						
Series 2014	$ 287,637	$ -	$ 31,217	$ 256,420	$ 32,465	$ 223,955
Series 2017	1,635,732	-	46,212	1,589,520	47,309	1,542,211
Series 2018	3,602,583	-	463,092	3,139,491	479,301	2,660,190
Financed capital purchases	400,000	-	49,793	350,207	52,064	298,143
Total long-term debt	5,925,952	-	590,314	5,335,638	611,139	4,724,499
Long-term liabilities						
Lease liabilities	257,386	31,117	110,202	178,301	115,836	62,465
Total long-term liabilities	257,386	31,117	110,202	178,301	115,836	62,465
Total long-term obligations	$ 6,183,338	$ 31,117	$ 700,516	$ 5,513,939	$ 726,975	$ 4,786,964

	2021					
	Beginning Balance	Additions	Payments	Ending Balance	Amounts Due Within One Year	Long-term Portion
Long-term debt						
Hospital revenue bonds						
Series 2014	$ 317,653	$ -	$ 30,016	$ 287,637	$ 31,217	$ 256,420
Series 2017	1,680,872	-	45,140	1,635,732	46,212	1,589,520
Series 2018	4,050,015	-	447,432	3,602,583	463,092	3,139,491
Financed capital purchases	8,121	400,000	8,121	400,000	49,175	350,825
Total long-term debt	6,056,661	400,000	530,709	5,925,952	589,696	5,336,256
Long-term liabilities						
Lease liabilities	358,320	-	100,934	257,386	104,583	152,803
Total long-term liabilities	358,320	-	100,934	257,386	104,583	152,803
Total long-term obligations	$ 6,414,981	$ 400,000	$ 631,643	$ 6,183,338	$ 694,279	$ 5,489,059

Hospital District No. 6 of Harper County, Kansas, Hospital Revenue Bond – Series 2014

Effective July 14, 2014, the Health Center entered into the Hospital District No. 6 of Harper County, Kansas, Revenue Bond, Series 2014, issued under the United States Department of Agriculture (USDA), Rural Development program in the amount of $475,000 and bearing interest at 4.00% for the radiology department remodeling project. Principal and interest payments under this series began July 25, 2015 and extend through July 25, 2029.

The Health Center's debt service requirements for the Series 2014 bonds as of December 31, 2022, are as follows:

Year Ending December 31,	Total to be Paid	Principal	Interest
2023	$ 42,722	$ 32,465	$ 10,257
2024	42,722	33,764	8,958
2025	42,722	35,114	7,608
2026	42,722	36,519	6,203
2027	42,722	37,980	4,742
2028-2029	85,444	80,578	4,866
	$ 299,054	$ 256,420	$ 42,634

Hospital District No. 6 of Harper County, Kansas, Hospital Revenue Bond – Series 2017

Effective November 1, 2017, the Health Center entered into the Hospital District No. 6 of Harper County, Kansas, Revenue Bond, Series 2017, issued under the United States Department of Agriculture (USDA), Rural Development program in the amount of $1,810,000 and bearing interest at 2.35% for refunding of debt. Principal and interest payments under this series began October 26, 2018 and extend through October 26, 2047.

The indenture agreement requires the Health Center to comply with certain restrictive covenants including minimum insurance coverage, maintaining a debt-service coverage ratio of at least 1.10 to 1 and restrictions on incurring additional debt. The Health Center failed to comply with the required debt service coverage ratio of at least 1.10 to 1 at December 31, 2022. Under the bond agreement, the Health Center is required to engage a consultant to help determine a plan to get the Health Center back to a financial position where they are in compliance with the required covenants.

The Health Center's debt service requirements for the Series 2017 bonds as of December 31, 2022, are as follows:

Year Ending December 31,	Total to be Paid	Principal	Interest
2023	$ 85,060	$ 47,309	$ 37,751
2024	85,061	48,333	36,728
2025	85,061	49,581	35,480
2026	85,060	50,758	34,302
2027	85,063	51,967	33,096
2028-2032	425,303	278,760	146,543
2033-2037	425,303	313,583	111,720
2038-2042	425,303	352,649	72,654
2043-2047	425,300	396,580	28,720
	$ 2,126,514	$ 1,589,520	$ 536,994

Hospital District No. 6 of Harper County, Kansas, Hospital Revenue Bond – Series 2018

Effective December 20, 2018, the Health Center entered into the Hospital District No. 6 of Harper County, Kansas, Revenue Bond, Series 2018, issued under the United States Department of Agriculture (USDA), Rural Development program in the amount of $4,900,000 and bearing interest at 3.50% for the purchase of equipment. Principal and interest payments under this series began December 20, 2019 and extend through December 20, 2028.

The Health Center's debt service requirements for the Series 2018 bonds as of December 31, 2022, are as follows:

Year Ending December 31,	Total to be Paid	Principal	Interest
2023	$ 589,183	$ 479,301	$ 109,882
2024	589,183	496,076	93,107
2025	589,183	513,439	75,744
2026	589,183	531,409	57,774
2027	589,182	550,008	39,174
2028	589,182	569,258	19,924
	$ 3,535,096	$ 3,139,491	$ 395,605

Financed Capital Purchases

Financed capital purchases are in the form of a note payable to bank, with a maturity date of December 31, 2028. Principal and interest is payable annually. The interest rate is 4.50%. The note is secured by certain capital assets.

Debt Service Requirements

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

Year Ending December 31,	Total to be Paid	Principal	Interest
2023	$ 68,042	$ 52,064	$ 15,978
2024	68,042	54,402	13,640
2025	68,043	56,922	11,121
2026	68,043	59,519	8,524
2027	68,042	62,234	5,808
2028	68,043	65,066	2,977
	$ 408,255	$ 350,207	$ 58,048

Lease Liabilities

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

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

Year Ending December 31,	Total to be Paid	Principal	Interest
2023	$ 122,057	$ 115,836	$ 6,221
2024	50,535	49,061	1,474
2025	6,999	6,515	484
2026	7,044	6,889	155
	$ 186,635	$ 178,301	$ 8,334

Note 6: Medical Malpractice Coverage and Claims

The Health Center purchases medical malpractice insurance under a claims-made policy with a fixed premium which provides $1,000,000 and $200,000 of coverage for each medical incident and $3,000,000 and $600,000 of aggregate coverage for the policy years ending December 31, 2022 and 2021, respectively. 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 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 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 Health Center'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 Health Center has agreements with third-party payers that provide for payments to the Health Center at amounts different from its established rates. These payment arrangements include:

Medicare. The Health Center is recognized as a CAH and is paid at one hundred one percent (101%) of allowable costs for certain inpatient and outpatient services. The Health Center is reimbursed for certain services and cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Health Center and audits thereof by the Medicare Administrative Contractor.

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

Approximately 71% and 72% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2022 and 2021, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Health Center has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Health Center 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 Health Center's charity care policy were approximately $9,000 and $13,000 for 2022 and 2021, respectively. The cost of charity care is estimated by applying the ratio of gross charges to the gross uncompensated charges.

Note 9: 340B Drug Pricing Program

The Health Center participates in the 340B Drug Pricing Program (340B Program) enabling the Health Center to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Health Center recorded revenues related to the 340B Program of $4,875,672 and $3,742,272 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 Health Center recorded expenses related to the 340B Program of $2,787,811 and $1,951,208 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: Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Plan Description

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

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

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

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

The Health Center's employees participate in the Local group.

Benefits Provided

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

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

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

Contributions

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

The Health Center's contributions to KPERS for the years ended December 31, 2022 and 2021, were $752,926 and $696,234, respectively.

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

At December 31, 2022 and 2021, the Health Center reported a liability of $7,950,448 and $5,084,562, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and 2021, respectively, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of December 31, 2021 and 2020, respectively, rolled forward to June 30, 2022 and 2021, respectively. The Health Center's proportion of the net pension liability was based on the ratio of the Health Center's actual contributions to total employer and nonemployer actual contributions of the group for the respective measurement periods. At June 30, 2022, the Health Center's proportion was 0.399913%, which was a decrease of 0.023816% from its proportion measured as of June 30, 2021, of 0.423729%. At June 30, 2020, the proportion was 0.412875%.

For the years ended December 31, 2022 and 2021, the Health Center recognized pension expense of $874,365 and $307,424, respectively. At December 31, 2022 and 2021, the Health Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 300,719	$ 14,251
Net difference between projected and actual earnings on pension plan investments	673,005	-
Changes of assumptions	1,270,833	-
Changes in proportion	511,136	867,168
Health Center's contributions subsequent to the measurement date	381,400	-
Total	$ 3,137,093	$ 881,419

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 200,699	$ 46,039
Net difference between projected and actual earnings on pension plan investments	-	-
Changes of assumptions	1,000,902	1,805,514
Changes in proportion	1,146,881	1,328,918
Health Center's contributions subsequent to the measurement date	341,211	-
Total	$ 2,689,693	$ 3,180,471

At December 31, 2022, the Health Center reported $381,400 as deferred outflows of resources related to pension contributions made subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2022, related to pensions will be recognized in pension expense as follows:

2023	$	492,467
2024		457,342
2025		244,004
2026		662,459
2027		18,002
	$	1,874,274

Actuarial Assumptions

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

	2021	2020
Price inflation	2.75%	2.75%
Salary increases, including inflation	3.50% to 12.00%	3.50% to 12.00%
Investment rate of return, net of pension plan investment expense, including inflation	7.00%	7.25%

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

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

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

	2022		2021	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
U.S. equities	23.5%	5.20%	23.5%	5.20%
Non-U.S. equities	23.5%	6.40%	23.5%	6.40%
Private equity	8.0%	9.50%	8.0%	9.50%
Real estate	11.0%	4.45%	11.0%	4.45%
Yield driven	8.0%	4.70%	8.0%	4.70%
Real return	11.0%	3.25%	11.0%	3.25%
Fixed income	11.0%	1.55%	11.0%	1.55%
Short-term investments	4.0%	0.25%	4.0%	0.25%
	100%		100%	

Discount Rate

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

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

The Health Center's proportionate share of the net pension liability has been calculated using a discount rate of 7.00%. The following presents the Health Center's proportionate share of the net pension liability calculated using a discount rate 1% higher and 1% lower than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Health Center's proportionate share of the net pension liability	$ 11,421,075	$ 7,950,448	$ 5,058,911

Pension Plan Fiduciary Net Position

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

Note 11: Other Postemployment Benefit Plan

Plan Description

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

Benefits Provided

The OPEB Plan provides LTD and life insurance benefits to eligible disabled members. Benefits provided are self-funded, and the full cost of the benefits is covered by the OPEB Plan. The monthly benefit is 60% of the member's monthly rate of compensation, with a minimum of $100 and a maximum of $5,000. The monthly benefit is subject to reduction by deductible sources of income, which include Social Security primary disability or retirement benefits, worker's compensation benefits, other disability benefits from any other source by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are

payable while disability continues until the member's 65th birthday or retirement date, whichever first occurs. If the disability occurs at or after age 60, benefits are payable while disability continues, for a period of five years or until the date of the member's retirement, whichever first occurs. Upon the death of a member who is receiving monthly disability benefits, the plan will pay a lump sum benefit to eligible beneficiaries. The benefit amount will be 150% of the greater of (a) the member's annual rate of compensation at the time of disability, or (b) the member's previous 12 months of compensation at the time of the last date on payroll. If the member had been disabled for five or more years, the annual compensation or salary rate at the time of death will be indexed before the life insurance benefit is computed. The indexing is based on the consumer price index, less one percentage point. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, he or she may be eligible to receive up to 100% of the death benefit rather than having the benefit paid to the beneficiary.

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

	2022	2021
Active employees	120	134
Disabled employees	3	5
	123	139

Total OPEB Liability

The Health Center's total OPEB liability of $223,195 and $259,481 was measured as of June 30, 2022 and 2021, for the years ended December 31, 2022 and 2021, respectively, and was determined by actuarial valuations as of December 31, 2021 and 2020, respectively, and rolled forward to June 30, 2022 and 2021, respectively.

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

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

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

Mortality rates were based on the RP-2014 Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups, as appropriate with adjustments for mortality improvements based on MP-2021 Mortality Tables for the December 31, 2022 and 2021, actuarial valuations.

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

Changes in the Total OPEB Liability

Changes in the total OPEB liability are:

	2022	2021
Balance, beginning of year	$ 259,481	$ 469,056
Changes for the year:		
Service cost	31,057	29,683
Interest	6,080	10,010
Differences between expected and actual experience	(22,916)	(157,606)
Changes of assumptions	(32,253)	392
Benefit payments	(18,254)	(92,054)
Net changes	(36,286)	(209,575)
Balance, end of year	$ 223,195	$ 259,481

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

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

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
Health Center's total OPEB liability	$ 230,417	$ 223,195	$ 216,054

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

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

For the years ended December 31, 2022 and 2021, the Health Center recognized OPEB expense of $55,986 and $64,026, respectively. At December 31, 2022 and 2021, the Health Center reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 223,870	$ 147,831
Changes of assumptions	19,292	31,080
Total	$ 243,162	$ 178,911

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 261,686	$ 143,056
Changes of assumptions	22,186	2,547
Total	$ 283,872	$ 145,603

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

2023	$ 18,849
2024	18,849
2025	18,849
2026	18,971
2027	19,323
Thereafter	(30,590)
	$ 64,251

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 Health Center's pandemic response plan has multiple facets and continues to evolve as the lasting impact of the pandemic unfolds. The Health Center 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 Health Center's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Health Center's control and ability to forecast.

Because of these and other uncertainties, the Health Center cannot estimate the length or severity of the effect of the pandemic on the Health Center'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 Health Center received $0 and $1,322,867, respectively, of distributions from the *CARES Act* Provider Relief Fund. These distributions from the Provider Relief Fund are not subject to repayment, provided the Health Center 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 Health Center 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 Health Center's operating revenues and expenses through December 31, 2022 and 2021, the Health Center recognized $1,305,384 and $4,196,578, 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 $1,305,384 is recorded as unearned revenue in the accompanying balance sheets for the years ended December 31, 2022 and 2021, respectively.

The Health Center will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Health Center's revenues and expenses. The terms and conditions governing the Provider Relief Funds are complex and subject to interpretation and change. If the Health Center is unable to attest to or comply with current or future terms and conditions the Health Center'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, 2022 and 2021, the Coronavirus Small Rural Hospital Improvement Program provided support to small rural and Critical Access Hospitals (CAHs) which were seeing increased demands for clinical services and equipment, as well as experiencing short-term financial and workforce challenges related to responding to meeting the needs of patients with COVID-19 seeking care at their facilities. These funds were administered through the Small Rural Hospital Improvement Program (SHIP) to provide emergency funding support to CAHs and non-CAH rural hospitals with less than 50 beds. This approach provided funding directly to the states to target those rural hospitals and the communities they serve who are facing the greatest strain from this crisis. The Health Center received and recognized $268,745 and $63,613 during 2022 and 2021, respectively, related to this grant. The payment is recorded as a component of noncapital contributions in the accompanying statements of revenues, expenses and changes in net position.

During the year ended December 31, 2021, the Health Center received and recognized $99,493 from a distribution from the Frontline Hospital Employee Retention Plan program. Funding under this program was utilized by the Health Center to retain existing clinical staff and re-hire retirees who have retired since March 1, 2020. The revenue recognized is recorded as a component of noncapital contributions in the accompanying statements of revenues, expenses and changes in net position.

Note 13: Adoption of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*

Effective January 1, 2022, the Health Center 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 Health Center was required to retroactively restate December 31, 2022, amounts as follows:

	As Restated	Previously Reported	Effect of Adoption
Balance Sheet			
Capital assets, net	$ 28,428,652	$ 28,672,129	$ (243,477)
Lease assets, net	252,207	-	252,207
Total assets	46,711,420	46,702,690	8,730
Total assets and deferred outflows of resources	49,684,985	49,676,255	8,730
Current maturities of long-term debt	589,696	692,025	(102,329)
Current portion of lease liabilities	104,583	-	104,583
Total current liabilities	3,516,922	3,514,668	2,254
Long-term debt	5,336,256	5,486,308	(150,052)
Long-term lease liabilities	152,803	-	152,803
Total liabilities	14,350,024	14,345,019	5,005
Net position - net investment in capital assets	23,054,308	23,045,404	8,904
Net position - unrestricted	7,521,749	7,526,928	(5,179)
Total net position	30,576,057	30,572,332	3,725
Total liabilities, deferred inflows of resources and net position	49,684,985	49,676,255	8,730
Statements of Revenues, Expenses and Changes in Net Position			
Depreciation	3,174,475	3,280,384	(105,909)
Amortization	106,113	-	106,113
Total operating expenses	23,215,242	23,215,038	204
Operating loss	(3,709,412)	(3,709,208)	(204)
Interest expense	(212,321)	(216,250)	3,929
Total nonoperating revenues	5,624,275	5,620,346	3,929
Excess of revenue over expenses before capital grants and gifts	1,914,863	1,911,138	3,725
Increase in net position	1,940,167	1,936,442	3,725
Net position, end of year	30,576,057	30,572,332	3,725
Statements of Cash Flows			
Principal paid on long-term debt	(530,709)	(627,714)	97,005
Principal paid on leases payable	(100,934)	-	(100,934)
Interest paid on long-term debt	(198,196)	(216,250)	18,054
Interest paid on leases payable	(14,125)	-	(14,125)

Note 14: Subsequent Events

As a result of the lasting impact of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Health Center. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Note 15: Future Change in Accounting Principle

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

Required Supplementary Information

Hospital District No. 6 of Harper County, Kansas
d/b/a Patterson Health Center
Schedule of the Health Center's Proportionate Share of the Net Pension Liability
Kansas Public Employees Retirement System Plan
Last Ten Fiscal Years

	2022 *	2021 *	2020 *	2019 *	2018 *
Health Center's proportion of the net pension liability	0.399913%	0.423729%	0.412875%	0.446557%	0.446508%
Health Center's proportionate share of the net pension liability	$ 7,950,448	$ 5,084,562	$ 7,157,824	$ 6,240,064	$ 6,223,384
Health Center's covered employee payroll	$ 8,021,252	$ 8,131,030	$ 7,684,784	$ 8,125,172	$ 7,747,395
Health Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	99.12%	62.53%	93.14%	76.80%	80.33%
Plan fiduciary net position as a percentage of the total pension liability	69.75%	76.40%	66.30%	69.88%	68.88%

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

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

2017 *	2016 *	2015 *	2014 *
0.449586%	0.226511%	0.230406%	0.220926%
$ 6,512,053	$ 3,504,192	$ 3,025,332	$ 2,719,186
$ 7,841,972	$ 3,948,785	$ 3,812,145	$ 3,638,694
83.04%	88.74%	79.36%	74.73%
67.12%	65.10%	64.95%	66.60%

Hospital District No. 6 of Harper County, Kansas
d/b/a Patterson Health Center
Schedule of the Health Center's Pension Contributions
Kansas Public Employees Retirement System Plan
Last Ten Fiscal Years

	2022 *	2021 *	2020 *	2019 *	2018 *
Contractually required contribution	$ 752,926	$ 696,234	$ 767,330	$ 794,641	$ 735,733
Contribution in relation to the contractually required contribution	752,926	696,234	767,330	794,641	735,733
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Health Center's covered-employee payroll	$ 8,459,844	$ 7,849,312	$ 7,984,698	$ 8,034,795	$ 7,835,308
Contributions as a percentage of covered-employee payroll	8.90%	8.87%	9.61%	9.89%	9.39%

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

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

2017 *	2016 *	2015 *	2014 *
$ 651,880	$ 337,098	$ 391,618	$ 332,040
651,880	337,098	391,618	332,040
$ -	$ -	$ -	$ -
$ 7,025,219	$ 3,828,710	$ 4,066,127	$ 3,678,008
9.28%	8.80%	9.63%	9.03%

Hospital District No. 6 of Harper County, Kansas
d/b/a Patterson Health Center
Schedule of Changes in the Health Center's Total OPEB Liability and Related Ratios
Last Ten Fiscal Years

	2022 *	2021 *	2020 *
Total OPEB Liability			
Service cost	$ 31,057	$ 29,683	$ 31,147
Interest	6,080	10,010	13,813
Differences between expected and actual experience	(22,916)	(157,606)	61,193
Changes in assumptions	(32,253)	392	257,967
Benefit payments	(18,254)	(92,054)	(45,579)
Net Change in Total OPEB Liability	(36,286)	(209,575)	318,541
Health Center's Total OPEB Liability - Beginning	259,481	469,056	150,515
Health Center's Total OPEB Liability - Ending	$ 223,195	$ 259,481	$ 469,056
Health Center's Covered-employee Payroll	$ 7,004,386	$ 7,313,883	$ 7,101,931
Health Center's Total OPEB Liability as a Percentage of Covered-employee Payroll	3.19%	3.55%	6.60%
Changes of Assumptions:			
Discount rate	3.54%	2.16%	2.21%

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

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

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

2019 *	2018 *	2017 *
$ 28,859	$ 29,115	$ 29,520
7,047	17,442	14,962
(14,313)	19,210	-
(308,407)	(5,792)	(15,709)
(50,671)	(59,629)	(72,723)
(337,485)	346	(43,950)
488,000	487,654	531,604
$ 150,515	$ 488,000	$ 487,654
$ 7,661,795	$ 7,658,048	$ 7,290,101
1.96%	6.37%	6.69%
3.50%	3.87%	3.58%

Supplementary Information

Hospital District No. 6 of Harper County, Kansas
d/b/a Patterson Health Center
Comparison of Revenues and Expenses (Cash Basis) – Actual and Tax Budget
Year Ended December 2022

	Actual	Budget	Over (Under)
Net patient service revenue	$ 16,102,625	$ 15,170,000	$ 932,625
Other	4,249,117	3,471,800	777,317
Total revenue	20,351,742	18,641,800	1,709,942
Operating expenses, less depreciation and amortization including interest expense	22,717,924	22,973,831	(255,907)
Operating loss before tax support	$ (2,366,182)	$ (4,332,031)	$ 1,965,849