Morris County Hospital

A Component Unit of Morris County, Kansas
Independent Auditor's Report
and Financial Statements

December 31, 2022 and 2021



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Independent Auditor's Report

Board of Trustees
Morris County Hospital
Council Grove, Kansas

Opinion

We have audited the financial statements of Morris County Hospital (Hospital), a component unit of Morris County, Kansas, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Morris County Hospital as of December 31, 2022 and 2021, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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 Morris County Hospital's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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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 Morris County Hospital's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Morris County Hospital's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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 opinions on the basic financial statements is not affected by this missing information.

FORVIS, LLP

Wichita, Kansas
February 27, 2024

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

Assets

	2022	2021 (As Restated)
Current Assets		
Cash and cash equivalents	$ 121,137	$ 3,705,090
Restricted cash	424,552	333,158
Short-term investments	410,199	558,750
Patient accounts receivable, net of allowance; 2022 – $1,247,949; 2021 – $638,268	4,366,221	4,545,373
Estimated amounts due from third-party payers	430,000	-
Other receivables	249,704	131,077
Supplies	466,091	421,977
Prepaid expenses	340,215	293,813
Total current assets	6,808,119	9,989,238
Noncurrent Cash and Investments		
Board designated for capital improvements	3,166,656	3,158,645
Capital Assets, Net	7,560,055	7,506,005
Lease Assets, Net	381,006	503,104
Physician Receivable	53,000	15,000
Total assets	$ 17,968,836	$ 21,171,992

See Notes to Financial Statements

Liabilities and Net Position

	2022	2021 (As Restated)
Current Liabilities		
Current maturities of long-term debt	$ 150,000	$ 145,000
Current portion of lease liabilities	121,328	119,102
Accounts payable	565,552	381,992
Accrued payroll and withholdings	105,492	141,426
Accrued employee benefits	548,846	510,877
Accrued interest payable	47,668	47,319
Estimated amounts due to third-party payers	-	170,000
Unearned revenue	-	400,000
Total current liabilities	1,538,886	1,915,716
Long-term Debt	2,974,153	3,121,944
Long-term Lease Liabilities	264,684	386,012
Total liabilities	4,777,723	5,423,672
Net Position		
Net investment in capital assets	4,430,896	4,237,051
Restricted - expendable for Capital acquisitions	424,552	333,158
Unrestricted	8,335,665	11,178,111
Total net position	13,191,113	15,748,320
Total liabilities and net position	$ 17,968,836	$ 21,171,992

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

	2022	2021 (As Restated)
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2022 – $899,134; 2021 – $389,466	$ 11,593,886	$ 13,053,405
Other	545,452	873,787
Total operating revenues	12,139,338	13,927,192
Operating Expenses		
Salaries and wages	6,952,164	6,869,259
Employee benefits	1,159,142	1,163,440
Supplies and other	2,720,675	2,111,919
Contracts	4,359,713	3,758,299
Depreciation	783,556	900,077
Amortization	122,098	80,049
Total operating expenses	16,097,348	14,883,043
Operating Loss	(3,958,010)	(955,851)
Nonoperating Revenues (Expenses)		
Noncapital contributions	655,482	204,206
Noncapital appropriations - Morris County	519,852	430,248
Council Grove Assisted Living, LLC losses	(47,186)	(37,044)
Investment income (loss)	(63,821)	123,043
Interest expense	(154,918)	(128,707)
Provider Relief Funds (*CARES Act*)	400,000	3,228,578
Total nonoperating revenues	1,309,409	3,820,324
Excess (Deficiency) of Revenues Over Expenses Before Capital Grants and Gifts	(2,648,601)	2,864,473
Capital Grants and Gifts	91,394	146,735
Increase (Decrease) in Net Position	(2,557,207)	3,011,208
Net Position, Beginning of Year	15,748,320	12,737,112
Net Position, End of Year	$ 13,191,113	$ 15,748,320

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

	2022	2021 (As Restated)
Cash Flows From Operating Activities		
Receipts from and on behalf of patients	$ 11,173,038	$ 12,434,086
Payments to suppliers and contractors	(6,984,027)	(5,632,402)
Payments to employees	(8,109,271)	(7,795,942)
Other receipts, net	26,825	(1,935,281)
Net cash used in operating activities	(3,893,435)	(2,929,539)
Cash Flows From Noncapital Financing Activities		
Noncapital contributions	655,482	204,206
Noncapital appropriations - Morris County	519,852	430,248
Provider Relief Funds (*CARES Act*)	400,000	3,228,578
Net cash provided by noncapital financing activities	1,575,334	3,863,032
Cash Flows From Capital and Related Financing Activities		
Capital grants and gifts	91,394	146,735
Purchase of capital assets	(840,923)	(835,941)
Principal paid on long-term debt	(142,791)	(137,719)
Interest paid on long-term debt	(146,181)	(122,643)
Principal paid on leases payable	(119,102)	(78,039)
Interest paid on leases payable	(8,388)	(5,387)
Net cash used in capital and related financing activities	(1,165,991)	(1,032,994)
Cash Flows From Investing Activities		
Purchase of investments	(773,011)	(782,662)
Proceeds from disposition of investments	866,365	674,420
Physician guarantee payments received	(38,000)	-
Investment income	(63,821)	123,043
Net cash provided by (used in) investing activities	(8,467)	14,801
Decrease in Cash and Cash Equivalents	(3,492,559)	(84,700)
Cash and Cash Equivalents, Beginning of Year	4,038,248	4,122,948
Cash and Cash Equivalents, End of Year	$ 545,689	$ 4,038,248

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

	2022	2021 (As Restated)
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents	$ 121,137	$ 3,705,090
Restricted cash	424,552	333,158
	$ 545,689	$ 4,038,248
Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (3,958,010)	$ (955,851)
Provision for uncollectible accounts	899,134	389,466
Depreciation	783,556	900,077
Amortization	122,098	80,049
Changes in operating assets and liabilities		
Patient accounts receivable	(719,982)	(1,538,637)
Estimated amounts due from and to third-party payers	(600,000)	529,852
Other receivables	(118,627)	19,510
Supplies	(44,114)	(6,098)
Prepaid expenses	(46,402)	56,710
Accounts payable	186,877	187,204
Accrued payroll and withholdings	(35,934)	61,701
Accrued employee benefits	37,969	175,056
Unearned revenue	(400,000)	(2,828,578)
Net cash used in operating activities	$ (3,893,435)	$ (2,929,539)
Noncash Investing, Capital and Financing Activities		
Capital asset acquisitions included in accounts payable	$ 17,313	$ 20,630
Lease obligation incurred for lease assets	$ -	$ 366,420

Morris County Hospital
A Component Unit of Morris County, Kansas
Notes to Financial Statements
December 31, 2022 and 2021

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

Nature of Operations and Reporting Entity

Morris County Hospital (Hospital) is a county-owned, general hospital located in Council Grove, Kansas with a licensed bed capacity of 21 beds. The Hospital is considered a component unit of Morris County, Kansas. The Hospital primarily earns revenues by providing inpatient, outpatient, emergency care and rural health clinic services to patients in the Morris County area.

The Hospital maintains an agreement with Morris County, Kansas (County) to operate the County health department. Under the terms of the agreement, the Hospital is responsible for providing overall administration and all related services for the health department. The Hospital is to receive the equivalent of at least a one mill levy from the County and the use of personal property of the health department. The agreement is renewable for successive one-year terms.

Morris County Hospital Foundation (Foundation) is a Kansas not-for-profit corporation exempt from federal income taxation under Internal Revenue Code Section 501(a) as an organization described in Section 501(c)(3). The Foundation was formed July 22, 1986, and is organized and shall be operated exclusively for the benefit of, to perform the functions of, or to do all things that may appear necessary and useful in accomplishing the purposes of the Hospital. The board of the Foundation is self-perpetuating. Although the Hospital does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources and related income are restricted by donors for the benefit of the Hospital. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the Hospital, the Foundation is considered a component unit of the Hospital and is included in the financial statements of the Hospital using the blended method. Complete financial statements of the Foundation may be obtained from its administrative offices at the following address:

Morris County Hospital Foundation
600 North Washington
Council Grove, Kansas 66846

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 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, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Hospital first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Use of Estimates

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

Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2022 and 2021, cash equivalents consisted of certificates of deposit and money market accounts.

Investments and Investment Income

Noncurrent cash and investments include short-term investments (assets held by the Foundation) and designated assets set aside by the Board of Trustees for capital improvements. The Board of Trustees retains control over these assets and may, at its discretion, subsequently use these assets for other purposes. Short-term investments (assets held by the Foundation) consist of investments in U.S. Treasury securities, money market funds and mutual funds, which are carried at fair value, nonnegotiable certificate of deposit, which is carried at amortized cost, and an investment in equity investee (42% interest in net assets of Council Grove Assisted Living, LLC), which is reported on the equity method of accounting. All mutual funds are carried at fair value based upon readily determinable market values. Designated assets set aside by the Board of Trustees consist of certificates of deposit.

Investment income includes dividend and interest income, realized gains and losses on investments carried at other than fair value and the net change for the year in the fair value of investments carried at fair value.

Patient Accounts Receivable

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

Supplies

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

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. 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 Hospital:

Land improvements	10 – 15 years
Buildings	5 – 40 years
Equipment	5 – 20 years

Lease Assets

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

Capital and Lease Asset Impairment

The Hospital evaluates capital and lease assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital or lease asset has occurred. If a capital or lease asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation or accumulated amortization is increased by the amount of the impairment loss.

No asset impairment was recognized during the years ended December 31, 2022 and 2021.

Other Assets

During 2022, the Hospital entered into a contract with a physician to relocate to Council Grove, Kansas to establish a medical practice. The Hospital agreed to extend a line of credit to the physician to make monthly advances as needed not to exceed a certain aggregate amount during the support period. The support period is a period of 24 months following the commencement date of August 12, 2022. The physician is required to diligently and fully devote their efforts to and time to the operation of their practice in Council Grove, Kansas for a 48-month commitment period. In the event the physician fails to perform under the contract, the physician is required to reimburse the Hospital for all sums advanced under the contract.

Compensated Absences

Hospital policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs, and no liability is accrued for such benefits employees have earned but not yet realized. Employees with greater than 15 years of service vest in sick leave. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet 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; professional liability; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than medical malpractice. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The Hospital was self-insured for a portion of its exposure to risk of loss from employee health claims through June 30, 2020. Annual estimated provisions are accrued for the self-insured portion of employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Bond Discount

Bond discount is being amortized over the life of the related debt using the effective interest method. The unamortized bond discount is included as a reduction to revenue bonds payable and is reflected as long-term debt in the accompanying balance sheets. The amortization of the bond discount is included as a component of interest expense.

Net Position

Net position of the Hospital is classified in three 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.
- 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.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital 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.

Noncapital Appropriations – Morris County

The Hospital received approximately 4% and 2% of its financial support from noncapital appropriations from Morris County property tax levy in 2022 and 2021, respectively.

Property taxes are assessed on a calendar basis and are received beginning January 1 of each year. Revenue from noncapital appropriations – Morris County is recognized in full in the year in which use is first permitted.

Provider Relief Funds (CARES Act)

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

Income Taxes

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

The Foundation has been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income. The Foundation files tax returns in the U.S. federal jurisdiction.

Note 2: Deposits and Investments

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, $3,288,963 and $6,463,150 of the Hospital's bank balances of $4,183,882 and $7,202,077 were exposed to custodial credit risk as follows:

	2022	2021
Uninsured and collateral held by pledging financial institution	$ 3,288,963	$ 6,463,150

At December 31, 2022 and 2021, the Foundation's bank balances were $118,656 and $132,332, respectively, and thus did not exceed federally insured limits.

Investments

The Hospital may legally invest in direct obligations guaranteed as to the principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest to a limited extent in corporate bonds and equity securities.

As of December 31, 2022 and 2021, the Hospital has the following investments, which are entirely held at the Foundation:

Type	2022	2021
Mutual funds - equity ###	$ 333,303	$ 419,631
Mutual funds - fixed income ###	118,810	134,290
Certificate of deposit ***	129,701	129,258
Equity investment ^^^	(171,615)	(124,429)
	$ 410,199	$ 558,750

Carried at fair value

*** Carried at amortized cost

^^^ Reported on the equity investment of accounting

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Foundation's investment policy limits its investment portfolio to maturities of 10 years or less unless otherwise directed.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk. The Foundation's investment policy limits the amount that may be invested in any one issuer to the following maximum percentages:

Cash and certificates of deposit	25%
Fixed income	70%
Equity and other investments	60%

Summary of Carrying Values

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

	2022	2021
Carrying value		
Deposits	$ 3,712,345	$ 7,196,443
Investments	410,199	558,750
Cash on hand	-	450
	$ 4,122,544	$ 7,755,643
Included in the following balance sheet captions		
Cash and cash equivalents	$ 121,137	$ 3,705,090
Restricted cash	424,552	333,158
Short-term investments	410,199	558,750
Board designated for capital improvements	3,166,656	3,158,645
	$ 4,122,544	$ 7,755,643

Investment Income

Investment income for the years ended December 31 consisted of:

	2022	2021
Interest and dividend income	$ 38,381	$ 46,443
Net increase (decrease) in fair value of investments	(102,202)	76,600
	$ (63,821)	$ 123,043

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	$ 1,140,839	$ 1,363,618
Medicaid	394,811	322,089
Blue Cross	737,593	670,729
Commercial	1,140,667	904,705
Self-pay	2,200,260	1,922,500
	5,614,170	5,183,641
Less allowance for uncollectible accounts	1,247,949	638,268
	$ 4,366,221	$ 4,545,373

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	$ 100,644	$ -	$ -	$ -	$ 100,644
Land improvements	238,472	-	-	-	238,472
Buildings and leasehold improvements	11,583,909	-	-	485,285	12,069,194
Fixed equipment	3,845,521	-	-	25,000	3,870,521
Moveable equipment	8,340,618	26,065	-	88,800	8,455,483
Construction in progress	69,928	811,541	-	(599,085)	282,384
	24,179,092	837,606	-	-	25,016,698
Less accumulated depreciation					
Land improvements	(228,036)	(1,571)	-	-	(229,607)
Buildings and leasehold improvements	(5,367,104)	(391,153)	-	-	(5,758,257)
Fixed equipment	(3,487,393)	(138,360)	-	-	(3,625,753)
Moveable equipment	(7,590,554)	(252,472)	-	-	(7,843,026)
	(16,673,087)	(783,556)	-	-	(17,456,643)
Capital Assets, Net	$ 7,506,005	$ 54,050	$ -	$ -	$ 7,560,055

	2021 - *Restated*				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 100,644	$ -	$ -	$ -	$ 100,644
Land improvements	227,472	11,000	-	-	238,472
Buildings and leasehold improvements	11,514,198	51,970	-	17,741	11,583,909
Fixed equipment	3,845,521	-	-	-	3,845,521
Moveable equipment	8,035,405	234,585	(159,731)	230,359	8,340,618
Construction in progress	7,007	311,021	-	(248,100)	69,928
	23,730,247	608,576	(159,731)	-	24,179,092
Less accumulated depreciation					
Land improvements	(227,381)	(655)	-	-	(228,036)
Buildings and leasehold improvements	(4,968,351)	(398,753)	-	-	(5,367,104)
Fixed equipment	(3,480,025)	(167,099)	159,731	-	(3,487,393)
Moveable equipment	(7,276,817)	(313,737)	-	-	(7,590,554)
	(15,952,574)	(880,244)	159,731	-	(16,673,087)
Capital Assets, Net	$ 7,777,673	$ (271,668)	$ -	$ -	$ 7,506,005

Lease assets activity for the years ended December 31 was:

	2022				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Moveable equipment	$ 583,153	$ -	$ -	$ -	$ 583,153
Less accumulated amortization					
Moveable equipment	(80,049)	(122,098)	-	-	(202,147)
Lease assets, net	$ 503,104	$ (122,098)	$ -	$ -	$ 381,006

	2021 - *Restated*				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Moveable equipment	$ 216,733	$ 366,420	$ -	$ -	$ 583,153
Less accumulated amortization					
Moveable equipment	-	(80,049)	-	-	(80,049)
Lease assets, net	$ 216,733	$ 286,371	$ -	$ -	$ 503,104

Note 5: Professional Liability Claims

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

Note 6: 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 Portion
Long-term debt						
Revenue bonds payable						
Series 2018A	$ 770,000	$ -	$ 145,000	$ 625,000	$ 150,000	$ 475,000
Series 2018B	2,520,000	-	-	2,520,000	-	2,520,000
Total long-term debt	3,290,000	-	145,000	3,145,000	150,000	2,995,000
Long-term liabilities						
Lease liabilities	505,114	-	119,102	386,012	121,328	264,684
Total long-term liabilities	505,114	-	119,102	386,012	121,328	264,684
Unamortized discount on Series 2018 A&B bonds	(23,056)	-	(2,209)	(20,847)	-	(20,847)
Total long-term obligations	$ 3,772,058	$ -	$ 261,893	$ 3,510,165	$ 271,328	$ 3,238,837

	2021 - *Restated*					
	Beginning Balance	Additions	Payments	Ending Balance	Amounts Due Within One year	Long-term Portion
Long-term debt						
Revenue bonds payable						
Series 2018A	$ 910,000	$ -	$ 140,000	$ 770,000	$ 145,000	$ 625,000
Series 2018B	2,520,000	-	-	2,520,000	-	2,520,000
Total long-term debt	3,430,000	-	140,000	3,290,000	145,000	3,145,000
Long-term liabilities						
Lease liabilities	216,733	366,420	78,039	505,114	119,102	386,012
Total long-term liabilities	216,733	366,420	78,039	505,114	119,102	386,012
Unamortized discount on Series 2018 A&B bonds	(25,337)	-	(2,281)	(23,056)	-	(23,056)
Total long-term obligations	$ 3,621,396	$ 366,420	$ 215,758	$ 3,772,058	$ 264,102	$ 3,507,956

Revenue Bonds Payable – Series 2018A

On August 13, 2018, the Hospital issued $1,175,000 in Series 2018A Refunding Revenue Bonds with an average interest rate of 3.00% to advance refund $1,175,000 of outstanding 2011A Series bonds with an average interest rate of 3.21%. The net proceeds of $1,175,000 (after payment of $25,839 in underwriting fees and other issuance costs) plus an additional $150,753 of 2011A Series debt service fund monies 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 2011A Series bonds. As a result, the 2011A Series bonds are considered to be defeased, and the liability for those bonds has been removed from the Hospital's balance sheet.

Revenue Bonds Payable – Series 2018B

The Series 2018B Taxable Revenue Bonds (Morris County Hospital Project) payable consist of bonds in the original amount of $2,520,000 dated August 13, 2018, which bear interest at 4.12% to 4.42%. The bonds are payable in annual installments through September 1, 2038. 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 on or after September 1, 2025, at 100%. The bonds are secured by the net revenues of the Hospital. Proceeds from the issuance of these bonds were used to reconstruct and remodel portions of the existing hospital facility.

The indenture agreements require that certain funds be established with the trustee. Accordingly, these funds are included as assets held by trustee in the balance sheets. The indenture agreements also require the Hospital to comply with restrictive covenants including maintaining a historical debt-service ratio of at least 1.25. The Hospital failed to comply with the required debt service coverage ratio of at least 1.25 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.

Debt Service Requirements

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

Year Ending December 31,	Total to Be Paid	Principal	Interest
2023	$ 274,734	$ 150,000	$ 124,734
2024	270,734	150,000	120,734
2025	275,734	160,000	115,734
2026	275,934	165,000	110,934
2027	270,984	165,000	105,984
2028-2032	1,366,152	945,000	421,152
2033-2037	1,358,172	1,150,000	208,172
2038	271,180	260,000	11,180
	$ 4,363,624	$ 3,145,000	$ 1,218,624

Lease Liabilities

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

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

Year Ending December 31,	Total to Be Paid	Principal	Interest
2023	$ 127,490	$ 121,328	$ 6,162
2024	127,489	123,594	3,895
2025	92,855	91,087	1,768
2026	50,358	50,003	355
	$ 398,192	$ 386,012	$ 12,180

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 licensed as a CAH, and is paid for inpatient acute care, skilled swing-bed and outpatient services rendered to Medicare program beneficiaries at one hundred one percent (101%) of actual cost subject to certain limitations. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of an annual cost report by the Hospital and audit 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 55% and 52% of net patient service revenue 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 $92,000 and $77,000 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: Pension Plans

Defined Contribution

The Board of Trustees elected to withdraw from the social security system and approved a defined contribution plan covering substantially all employees. Employees must have attained the age of 21 and has completed one year of service. Pension expense is recorded for the amount of the Hospital's required contributions, determined in accordance with the terms of the plan. The plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the

Hospital's governing body. According to the terms of the plan, the Hospital will contribute 7.5% of the employees' compensation each plan year. The Plan allows for direct rollover and participant rollover contributions from eligible retirement plans. Contributions from the Hospital to the plan were $445,258 and $485,436 for the years ended December 31, 2022 and 2021, respectively.

Profit-Sharing Plan

The Board of Trustees elected to provide its employees with a profit-sharing retirement plan. The profit-sharing retirement plan contributions are discretionary contributions equal to a percentage of the employees' compensation, which will be determined by action of the Hospital's governing body each plan year. The Hospital did not make any contributions to the plan for the years ended December 31, 2022 and 2021.

Deferred Compensation Plan

The Board of Trustees elected to provide its employees with a deferred compensation plan, also known as a 457(b) plan. The purpose of the plan is to benefit those employees who choose to participate by permitting them to defer a portion of future compensation in order to provide payments at retirement. The Hospital provides the 457(b) plan to substantially all employees of the Hospital. The employees may contribute up to 100% of their salary to the 457(b) plan. The employees' salary deferral is limited by the Internal Revenue Service (IRS) annually. Employees are 100% vested in the contributions they choose to defer. If an employee is 50 years old or older and has met the annual IRS deferral limit, the employee may contribute a catch-up deferral that is also limited by the IRS annually. Contributions from employees to the 457(b) plan were $221,541 and $147,362 for the years ended December 31, 2022 and 2021, respectively. The Hospital does not contribute to the 457(b) plan.

Note 10: Disclosure About Fair Value of Assets

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2022 and 2021:

		Fair Value Measurements Using		
December 31, 2022	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Mutual funds - equity	$ 333,303	$ 333,303	$ -	$ -
Mutual funds - fixed income	118,810	118,810	-	-
	452,113	$ 452,113	$ -	$ -
Certificate of deposit	129,701			
Equity investment	(171,615)			
	$ 410,199			

		Fair Value Measurements Using		
December 31, 2021	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Mutual funds - equity	$ 419,631	$ 419,631	$ -	$ -
Mutual funds - fixed income	134,290	134,290	-	-
	553,921	$ 553,921	$ -	$ -
Certificate of deposit	129,258			
Equity investment	(124,429)			
	$ 558,750			

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include all the investments held by the Foundation and consist of equity securities and treasury securities.

Note 11: Condensed Combining Information

The following tables include condensed combining balance sheet information for the Hospital and its blended component unit as of December 31, 2022 and 2021:

	December 31, 2022			
	Hospital	Foundation	Eliminations	Total
Assets				
Current assets	$ 6,278,154	$ 529,965	$ -	$ 6,808,119
Capital assets, net	7,560,055	-	-	7,560,055
Lease assets, net	381,006	-	-	381,006
Other assets	3,219,656	-	-	3,219,656
Total assets	17,438,871	529,965	-	17,968,836
Deferred Outflows of Resources	-	-	-	-
Total assets and deferred outflows of resources	$ 17,438,871	$ 529,965	$ -	$ 17,968,836
Liabilities				
Current liabilities	$ 1,538,886	$ -	$ -	$ 1,538,886
Noncurrent liabilities	3,238,837	-	-	3,238,837
Total liabilities	4,777,723	-	-	4,777,723
Net Position				
Net investments in capital assets	4,430,896	-	-	4,430,896
Restricted expendable	-	424,552	-	424,552
Unrestricted	8,230,252	105,413	-	8,335,665
Total net position	12,661,148	529,965	-	13,191,113
Total liabilities and net position	$ 17,438,871	$ 529,965	$ -	$ 17,968,836

Morris County Hospital
A Component Unit of Morris County, Kansas
Notes to Financial Statements
December 31, 2022 and 2021

	December 31, 2021 - *As Restated*			
	Hospital	Foundation	Eliminations	Total
Assets				
Current assets	$ 9,295,626	$ 693,612	$ -	$ 9,989,238
Capital assets, net	7,506,005	-	-	7,506,005
Lease assets, net	503,104	-	-	503,104
Other assets	3,173,645	-	-	3,173,645
Total assets	20,478,380	693,612	-	21,171,992
Deferred Outflows of Resources	-	-	-	-
Total assets and deferred outflows of resources	$ 20,478,380	$ 693,612	$ -	$ 21,171,992
Liabilities				
Current liabilities	$ 1,915,716	$ -	$ -	$ 1,915,716
Noncurrent liabilities	3,507,956	-	-	3,507,956
Total liabilities	5,423,672	-	-	5,423,672
Net Position				
Net investments in capital assets	4,237,051	-	-	4,237,051
Restricted expendable	-	333,158	-	333,158
Unrestricted	10,817,657	360,454	-	11,178,111
Total net position	15,054,708	693,612	-	15,748,320
Total liabilities and net position	$ 20,478,380	$ 693,612	$ -	$ 21,171,992

The following tables include condensed combining statements of revenues, expenses and changes in net position information for the Hospital and its blended component unit for the years ended December 31, 2022 and 2021:

	December 31, 2022			
	Hospital	Foundation	Eliminations	Total
Operating Revenues				
Net patient service revenue	$ 11,593,886	$ -	$ -	$ 11,593,886
Other	541,824	3,628	-	545,452
Total operating revenues	12,135,710	3,628	-	12,139,338
Operating Expenses				
Other operating expenses	15,045,007	146,687	-	15,191,694
Depreciation	783,556	-	-	783,556
Amortization	122,098	-	-	122,098
Total operating expenses	15,950,661	146,687	-	16,097,348
Operating Loss	(3,814,951)	(143,059)	-	(3,958,010)
Nonoperating Revenues (Expenses)				
Noncapital contributions	622,152	33,330	-	655,482
Noncapital appropriations - Morris County	519,852	-	-	519,852
Council Grove Assisted Living, LLC losses	-	(47,186)	-	(47,186)
Investment income (loss)	34,305	(98,126)	-	(63,821)
Interest expense	(154,918)	-	-	(154,918)
Provider Relief Funds *(CARES Act)*	400,000	-	-	400,000
Total nonoperating revenues	1,421,391	(111,982)	-	1,309,409
Deficiency of Revenues Over Expenses Before Capital Grants and Gifts	(2,393,560)	(255,041)	-	(2,648,601)
Capital Grants and Gifts	-	91,394	-	91,394
Decrease in Net Position	(2,393,560)	(163,647)	-	(2,557,207)
Net Position, Beginning of Year	15,054,708	693,612	-	15,748,320
Net Position, End of Year	$ 12,661,148	$ 529,965	$ -	$ 13,191,113

Morris County Hospital
A Component Unit of Morris County, Kansas
Notes to Financial Statements
December 31, 2022 and 2021

	December 31, 2021			
	Hospital	Foundation	Eliminations	Total
Operating Revenues				
Net patient service revenue	$ 13,053,405	$ -	$ -	$ 13,053,405
Other	870,279	3,508	-	873,787
Total operating revenues	13,923,684	3,508	-	13,927,192
Operating Expenses				
Other operating expenses	13,816,211	86,706	-	13,902,917
Depreciation	900,077	-	-	900,077
Amortization	80,049	-	-	80,049
Total operating expenses	14,796,337	86,706	-	14,883,043
Operating Loss	(872,653)	(83,198)	-	(955,851)
Nonoperating Revenues (Expenses)				
Noncapital contributions	175,263	28,943	-	204,206
Noncapital appropriations - Morris County	430,248	-	-	430,248
Council Grove Assisted Living, LLC losses	-	(37,044)	-	(37,044)
Investment income	36,042	87,001	-	123,043
Interest expense	(128,707)	-	-	(128,707)
Provider Relief Funds *(CARES Act)*	3,228,578	-	-	3,228,578
Total nonoperating revenues (expenses)	3,741,424	78,900	-	3,820,324
Excess (Deficiency) of Revenues Over Expenses Before Capital Grants and Gifts	2,868,771	(4,298)	-	2,864,473
Capital Grants and Gifts	-	146,735	-	146,735
Increase in Net Position	2,868,771	142,437	-	3,011,208
Net Position, Beginning of Year	12,185,937	551,175	-	12,737,112
Net Position, End of Year	$ 15,054,708	$ 693,612	$ -	$ 15,748,320

The following tables include condensed combining statements of cash flows information for the Hospital and its blended component unit for the years ended December 31, 2022 and 2021:

	December 31, 2022			
	Hospital	Foundation	Eliminations	Total
Net Cash Used In Operating Activities	$ (3,749,670)	$ (143,765)	$ -	$ (3,893,435)
Net Cash Provided By Noncapital Financing Activities	1,542,004	33,330	-	1,575,334
Net Cash Provided By (Used In) Capital and Related Financing Activities	(1,257,385)	91,394	-	(1,165,991)
Net Cash Provided By (Used In) Investing Activities	(11,706)	3,239	-	(8,467)
Decrease in Cash and Cash Equivalents	(3,476,757)	(15,802)	-	(3,492,559)
Cash and Cash Equivalents, Beginning of Year	3,905,916	132,332	-	4,038,248
Cash and Cash Equivalents, End of Year	$ 429,159	$ 116,530	$ -	$ 545,689

	December 31, 2021			
	Hospital	Foundation	Eliminations	Total
Net Cash Used In Operating Activities	$ (2,843,811)	$ (85,728)	$ -	$ (2,929,539)
Net Cash Provided By Noncapital Financing Activities	3,834,089	28,943	-	3,863,032
Net Cash Provided By (Used In) Capital and Related Financing Activities	(1,179,729)	146,735	-	(1,032,994)
Net Cash Provided By (Used In) Investing Activities	18,380	(3,579)	-	14,801
Increase (Decrease) in Cash and Cash Equivalents	(171,071)	86,371	-	(84,700)
Cash and Cash Equivalents, Beginning of Year	4,076,987	45,961	-	4,122,948
Cash and Cash Equivalents, End of Year	$ 3,905,916	$ 132,332	$ -	$ 4,038,248

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.

While some of these policies have eased and states have lifted moratoriums on non-emergent procedures, some restrictions remain in place, and some state and local governments are re-imposing certain restrictions due to increasing rates of COVID-19 cases.

The Hospital's pandemic response plan has multiple facets and continues to evolve as 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 $400,000, 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 $400,000 and $3,228,578, 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 $400,000 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.

Other COVID-19 Funding

In November 2021, the Hospital received and recognized $83,575 of a distribution from the Frontline Hospital Employee Retention Plan Program. Funding under this program was utilized by the Hospital to retain existing clinical staff and re-hire retirees who have retired since March 1, 2020. The revenue recognized is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

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

Effective January 1, 2022, 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	$ 7,506,005	$ 8,017,299	$ (511,294)
Lease assets, net	503,104	-	503,104
Total assets	21,171,992	21,180,182	(8,190)
Total assets and deferred outflows of resources	21,171,992	21,180,182	(8,190)
Current maturities of long-term debt	145,000	264,007	(119,007)
Current portion of lease liabilities	119,102	-	119,102
Total current liabilities	1,915,716	1,915,621	95
Long-term debt	3,121,944	3,503,707	(381,763)
Long-term lease liabilities	386,012	-	386,012
Total liabilities	5,423,672	5,419,328	4,344
Net position - net investment in capital and lease assets	4,237,051	4,249,585	(12,534)
Total net position	15,748,320	15,760,854	(12,534)
Total liabilities and net position	21,171,992	21,180,182	(8,190)
Statements of Revenues, Expenses and Changes in Net Position			
Depreciation	900,077	959,676	(59,599)
Amortization	80,049	-	80,049
Total operating expenses	14,883,043	14,862,593	20,450
Operating loss	(955,851)	(935,401)	(20,450)
Interest expense	(128,707)	(139,451)	10,744
Total nonoperating revenues	3,820,324	3,809,580	10,744
Excess (deficiency) of revenues over expenses before capital grants and gifts	2,864,473	2,874,179	(9,706)
Increase in net position	3,011,208	3,020,914	(9,706)
Net position, end of year	15,748,320	15,760,854	(12,534)
Statements of Cash Flows			
Principal paid on long-term debt	(137,719)	(205,029)	67,310
Interest paid on long-term debt	(122,643)	(138,774)	16,131
Principal paid on leases payable	(78,039)	-	(78,039)
Interest paid on leases payable	(5,387)	-	(5,387)
Operating loss	(955,851)	(935,401)	(20,450)
Depreciation	900,077	959,676	(59,599)
Amortization	80,049	-	80,049

Note 14: 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. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.