Ashland Hospital District No. 3

Independent Auditor's Report and Financial Statements

December 31, 2022 and 2021



Ashland Hospital District No. 3

December 31, 2022 and 2021

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Independent Auditor's Report

Board of Trustees
Ashland Hospital District No. 3
Ashland, Kansas

Opinion

We have audited the accompanying financial statements of Ashland Hospital District No. 3, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise Ashland Hospital District No. 3'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 Ashland Hospital District No. 3 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 Ashland Hospital District No. 3 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 Ashland Hospital District No. 3'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 Ashland Hospital District No. 3'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 Ashland Hospital District No. 3'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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit 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 management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

FORVIS, LLP

Wichita, Kansas
June 26, 2023

Ashland Hospital District No. 3
Balance Sheets
December 31, 2022 and 2021

Assets and Deferred Outflows of Resources

	2022	2021
Current Assets		
Cash and cash equivalents	$ 2,914,272	$ 1,274,576
Certificates of deposit	1,012,615	1,007,363
Held by trustee for debt service	928,333	786,590
Patient accounts receivable, net of allowance; 2022 – $299,642; 2021 – $321,245	1,143,081	1,391,735
Property taxes receivable	1,582,664	1,673,399
Estimated amounts due from third-party payers	354,000	1,245,000
Supplies	261,199	274,206
Prepaid expenses and other	572,749	520,064
Total current assets	8,768,913	8,172,933
Noncurrent Cash and Investments		
Internally designated by Board of Trustees	17,981	17,530
Held by trustee for debt service	15,600	16,000
	33,581	33,530
Capital Assets, Net	11,958,454	12,846,839
Total assets	20,760,948	21,053,302
Deferred Outflows of Resources		
Pension	1,532,147	1,182,705
Other postemployment benefits	86,961	96,661
Total deferred outflows of resources	1,619,108	1,279,366
Total assets and deferred outflows of resources	$ 22,380,056	$ 22,332,668

See Notes to Financial Statements

Liabilities, Deferred Inflows of Resources and Net Position

	2022	2021
Current Liabilities		
Current portion of long-term debt	$ 834,481	$ 859,798
Accounts payable	212,002	213,892
Accrued salaries	102,081	124,217
Accrued vacation	79,842	79,827
Other accrued liabilities	225,553	209,604
Unearned revenue	-	172,251
Total current liabilities	1,453,959	1,659,589
Long-term Debt	10,391,433	11,251,375
Net Pension Liability	3,751,758	2,384,649
Total Other Postemployment Benefits Liability	114,430	136,191
Total liabilities	15,711,580	15,431,804
Deferred Inflows of Resources		
Property taxes	1,582,664	1,673,399
Pension	115,912	891,919
Other postemployment benefits	19,577	9,255
Total deferred inflows of resources	1,718,153	2,574,573
Net Position		
Net investment in capital assets	732,540	735,666
Restricted - expendable for Debt service	943,933	802,590
Unrestricted	3,273,850	2,788,035
Total net position	4,950,323	4,326,291
Total liabilities, deferred inflows of resources and net position	$ 22,380,056	$ 22,332,668

Ashland Hospital District No. 3

Statements of Revenues, Expenses and Changes in Net Position

Years Ended December 31, 2022 and 2021

	2022	2021
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2022 – $127,858; 2021 – $184,811	$ 9,547,868	$ 7,829,993
Gain on disposal of capital assets	14,375	-
Other	358,615	217,674
Total operating revenues	9,920,858	8,047,667
Operating Expenses		
Salaries	3,723,388	4,156,924
Supplies and other	6,125,681	4,216,270
Depreciation	1,219,514	1,203,736
Loss on disposal of capital assets	-	18,500
Total operating expenses	11,068,583	9,595,430
Operating Loss	(1,147,725)	(1,547,763)
Nonoperating Revenues (Expenses)		
Property taxes	1,804,900	1,639,647
Interest income	21,681	8,418
Interest expense	(502,071)	(531,167)
Noncapital grants and gifts	347,247	223,338
Provider Relief Funds (*CARES Act*)	100,000	3,397,915
Paycheck Protection Program (PPP) loan forgiveness	-	705,922
Total nonoperating revenues	1,771,757	5,444,073
Increase in Net Position	624,032	3,896,310
Net Position, Beginning of Year	4,326,291	429,981
Net Position, End of Year	$ 4,950,323	$ 4,326,291

Ashland Hospital District No. 3
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows From Operating Activities		
Receipts from and on behalf of patients	$ 10,687,522	$ 4,062,155
Payments to suppliers and contractors	(6,152,874)	(4,625,708)
Payments to employees	(3,489,639)	(4,257,815)
Other receipts (payments), net	171,989	(2,734,091)
Net cash provided by (used in) operating activities	1,216,998	(7,555,459)
Cash Flows From Noncapital Financing Activities		
Property taxes supporting operations	1,804,900	1,639,647
Noncapital grants and gifts	347,247	223,338
Provider Relief Funds (*CARES Act*)	100,000	3,397,915
Net cash provided by noncapital financing activities	2,252,147	5,260,900
Cash Flows From Capital and Related Financing Activities		
Purchase of capital assets	(331,129)	(900,803)
Proceeds from disposal of capital assets	14,375	42,700
Principal paid on long-term debt	(838,349)	(977,624)
Interest paid on long-term debt	(548,981)	(580,411)
Net cash used in capital and related financing activities	(1,704,084)	(2,416,138)
Cash Flows From Investing Activities		
Interest income received	21,681	8,418
Proceeds from disposition of certificates of deposit	-	2,431,405
Purchase of certificates of deposit	(5,252)	-
Net cash provided by investing activities	16,429	2,439,823
Increase (Decrease) in Cash and Cash Equivalents	1,781,490	(2,270,874)
Cash and Cash Equivalents, Beginning of Year	2,094,696	4,365,570
Cash and Cash Equivalents, End of Year	$ 3,876,186	$ 2,094,696
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents in current assets	$ 3,842,605	$ 2,061,166
Cash and cash equivalents in noncurrent assets	33,581	33,530
Total cash and cash equivalents	$ 3,876,186	$ 2,094,696

Ashland Hospital District No. 3
Statements of Cash Flows (Continued)
Years Ended December 31, 2022 and 2021

	2022	2021
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities		
Operating loss	$ (1,147,725)	$ (1,547,763)
Depreciation	1,219,514	1,203,736
(Gain) loss on disposal of capital assets	(14,375)	18,500
Provision for uncollectible accounts	127,858	184,811
Changes in operating assets and liabilities		
Patient accounts receivable, net	120,796	(894,231)
Estimated amounts due from and to third-party payers	891,000	(3,058,418)
Supplies	13,007	(144,066)
Prepaid expenses and other	(52,685)	(238,946)
Accounts payable	(1,890)	(7,926)
Accrued salaries	(22,136)	(12,446)
Accrued vacation	15	575
Other accrued liabilities	15,949	(5,970)
Unearned revenue	(172,251)	(2,970,265)
Net pension liability	1,367,109	(734,021)
Total other postemployment benefits liability	(21,761)	(712)
Deferred outflows of resources - pension and OPEB	(339,742)	(115,928)
Deferred inflows of resources - pension and OPEB	(765,685)	767,611
Net cash provided by (used in) operating activities	$ 1,216,998	$ (7,555,459)
Noncash Investing, Capital and Financing Activities		
Capital lease obligation incurred for capital assets	$ -	$ 26,810
Amortization of bond premium	46,910	49,244
PPP loan forgiveness	-	705,922

Ashland Hospital District No. 3
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

Ashland Hospital District No. 3 (Hospital) is a political subdivision of the State of Kansas. The Hospital operates the Ashland Health Center which primarily earns revenues by providing inpatient, outpatient, emergency care, rural health clinic and home health services. The Hospital is governed by a Board of Trustees (Board) consisting of five members elected by residents of the Hospital.

Basis of Accounting and Presentation

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

Budgetary Principles

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

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

Applicable Kansas statutes require the use of an encumbrance system as a management control technique to assist in controlling expenditures. For budgetary purposes, encumbrances of the budgeted governmental fund types, representing purchase orders, contracts and other commitments, are reported as a charge to the current year budget. All unencumbered appropriations lapse at the end of the calendar year. There were no material encumbrances at December 31, 2022 and 2021. Budgeted revenue and expenditure amounts represent the original budget adopted by the Board.

Use of Estimates

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

Cash Equivalents

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

Certificates of Deposit

Certificates of deposits have remaining maturities of one year or less and are carried at amortized cost.

Noncurrent Cash and Investments

Noncurrent cash and investments consist of funds internally designated by the Board, over which the Board retains control and may, at its discretion, subsequently use for other purposes. Designated by Board funds include money market accounts. Noncurrent cash and investments also include cash restricted by donors for specific operating activities and funds held by trustee for debt service, which consist of money market accounts and investments in U.S. Government and agency obligations with a remaining maturity of one year or less at time of acquisition carried at amortized cost.

Patient Accounts Receivable

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

Supplies

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

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. 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	5-15 years
Buildings	10-33 years
Equipment	3-25 years

Capital Asset Impairment

The Hospital evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital 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.

Deferred Outflows of Resources

The Hospital 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.

Compensated Absences

Hospital policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay 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. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Paycheck Protection Program (PPP) Loan

The Hospital received a PPP loan established by the *Coronavirus Aid, Relief and Economic Security ACT (CARES Act)* and has accounted for the funding as debt in accordance with GASB 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan is recognized as nonoperating revenue in the financial statements in the period the debt is legally forgiven. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration (SBA), or lender; as a result of such audit, adjustment could be required to any revenue recognized. The Hospital received legal notice on January 12, 2021, that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment as other nonoperating revenue during 2021 in the accompanying statements of revenues, expenses and changes in net position.

Cost-Sharing Defined Benefit Pension Plan

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

Defined Benefit Other Postemployment Benefit Plan

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

Deferred Inflows of Resources

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

Bond Premium

Bond premiums are being amortized over the life of the related debt using the effective interest method. The unamortized bond premiums are included as an addition to long-term debt and are reflected as both current and long-term in the accompanying balance sheets. The amortization of the bond premium is recorded as a component of interest expense. The amortization of the bond premium was recorded as a component of capitalized interest costs during the construction period.

Net Position

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

- Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.
- Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Hospital, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital 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 include estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such estimated amounts are revised in future periods as adjustments become known.

Charity Care

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

Property Taxes

The Hospital received approximately 15% and 12% of its financial support from property taxes in 2022 and 2021, respectively. One hundred percent of these funds were used to support operations in both years.

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

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 a component of unearned revenue in the accompanying balance sheets.

Income Taxes

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

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 foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease

liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement required a retrospective transition method using the facts and circumstances that existed at the beginning of the earliest year presented. The Hospital's lease agreements that were in effect during 2021 and 2022 are immaterial to the financial statements, as a result there are no right-to-use assets or lease liabilities recorded on the balance sheets.

Note 2: Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Hospital's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral having an aggregate value at least equal to the amount of the deposits.

At December 31, 2022 and 2021, respectively, $3,585,435 and $2,046,935 of the Hospital's bank balances of $4,085,435 and $2,546,935 were exposed to custodial credit risk as follows:

	2022	2021
Uninsured and collateral held by pledging financial institution's trust department or agent in other than the Hospital's name	$ 3,585,435	$ 2,046,935

Summary of Carrying Values

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

	2022	2021
Carrying value		
Deposits	$ 3,944,868	$ 2,299,469
Included in the following balance sheet captions		
Cash and cash equivalents	$ 2,914,272	$ 1,274,576
Certificates of deposit	1,012,615	1,007,363
Internally designated by Board of Trustees	17,981	17,530
	$ 3,944,868	$ 2,299,469

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	$ 653,133	$ 1,011,749
Medicaid	16,510	15,998
Blue Cross	143,333	139,294
Other third-party payers	241,054	126,292
Self-pay	388,693	419,647
	1,442,723	1,712,980
Less allowance for uncollectible accounts	299,642	321,245
	$ 1,143,081	$ 1,391,735

Note 4: Capital Assets

Capital assets activity for the years ended December 31 was:

	2022				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 72,050	$ -	$ -	$ -	$ 72,050
Land improvements	956,880	-	-	-	956,880
Buildings	13,554,801	154,840	-	-	13,709,641
Equipment	4,006,205	166,289	(42,862)	-	4,129,632
Construction in progress	-	10,000	-	-	10,000
	18,589,936	331,129	(42,862)	-	18,878,203
Less accumulated depreciation					
Land improvements	319,867	75,263	-	-	395,130
Buildings	3,244,451	778,410	-	-	4,022,861
Equipment	2,178,779	365,841	(42,862)	-	2,501,758
	5,743,097	1,219,514	(42,862)	-	6,919,749
Capital assets, net	$ 12,846,839	$ (888,385)	$ -	$ -	$ 11,958,454

	2021				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 67,500	$ 4,550	$ -	$ -	$ 72,050
Land improvements	956,880	-	-	-	956,880
Buildings	13,252,450	302,351	-	-	13,554,801
Equipment	3,691,493	620,712	(306,000)	-	4,006,205
	17,968,323	927,613	(306,000)	-	18,589,936
Less accumulated depreciation					
Land improvements	244,604	75,263	-	-	319,867
Buildings	2,472,378	772,073	-	-	3,244,451
Equipment	2,067,179	356,400	(244,800)	-	2,178,779
	4,784,161	1,203,736	(244,800)	-	5,743,097
Capital assets, net	$ 13,184,162	$ (276,123)	$ (61,200)	$ -	$ 12,846,839

Note 5: Long-term Debt

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

	2022				
	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Bonds payable	$ 11,728,349	$ -	$ (838,349)	$ 10,890,000	$ 790,000
Unamortized bond premium	382,824	-	(46,910)	335,914	44,481
	$ 12,111,173	$ -	$ (885,259)	$ 11,225,914	$ 834,481

	2021				
	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
PPP loan payable to bank	$ 705,922	$ -	$ (705,922)	$ -	$ -
Bonds payable	12,679,163	26,810	(977,624)	11,728,349	812,887
	13,385,085	26,810	(1,683,546)	11,728,349	812,887
Unamortized bond premium	432,068	-	(49,244)	382,824	46,911
	$ 13,817,153	$ 26,810	$ (1,732,790)	$ 12,111,173	$ 859,798

Paycheck Protection Program (PPP) Loan

The *CARES Act* and other subsequent legislation provides an SBA loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. The Hospital received a PPP loan of $705,922 in 2020. The loan has an interest rate of 1%, with monthly payments due starting ten months after the end of the covered period, which the Hospital elected to be 24 weeks after receipt of the loan. The Hospital received legal notice on January 12, 2021, that the PPP loan was forgiven in its entirety.

Bonds Payable

In October 2015, the City of Ashland, Kansas (City) and the City of Ashland Public Building Commission (PBC) entered into agreements to issue $9,000,000 of Ashland, Kansas, Public Building Commission Revenue Bonds, Series 2015 (2015 Bonds) to pay a portion of the costs to construct, furnish and equip a new hospital facility and improvements in an amount not to exceed $15,100,000.

In June 2016, the City and the PBC entered into agreements to issue $5,510,000 of Ashland, Kansas, Public Building Commission Revenue Bonds, Series 2016 (2016 Bonds) to pay the remaining portion of the costs to construct, furnish and equip a new hospital facility and improvements in an amount not to exceed $15,100,000.

The new facility was constructed on a new site owned by the Hospital. In connection with these agreements, the Hospital transferred title to its facility to the PBC. Under the terms of the agreement, the City leased the facility from the PBC and then subleased it to the Hospital. The sublease agreement with the City requires the Hospital to pay basic rent to the bond trustee equal to the principal and interest on the Bonds as they come due. The Hospital's obligation to make basic rent payments under the sublease is further secured by a pledge of its revenues. Upon retirement of the Bonds, the Hospital will assume title and ownership of the facility. The sublease agreement has been accounted for as a financing agreement by the Hospital and classified as bonds payable. Accordingly, the leased property and bond indebtedness has been included in the financial statements as assets and liabilities of the Hospital.

The bonds have an interest rates of 2.125% to 5.000%. Aggregate annual maturities of the existing bonds payable as of December 31, 2022, are as follows:

Year Ending December 31,	
2023	$ 790,000
2024	800,000
2025	805,000
2026	820,000
2027	785,000
2028 - 2032	4,095,000
2033 - 2036	2,795,000
	$ 10,890,000

Note 6: Professional Liability Coverage and 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 claim experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the future.

Note 7: Net Patient Service Revenue

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

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

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

Approximately 87% and 86% of net patient service revenues are from participation in the Medicare and state-sponsored Medicaid programs for 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 and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined case rates and discounts from established charges.

Note 8: Charity Care

The costs of charity care provided under the Hospital's charity care policy were approximately $0 and $5,000 for 2022 and 2021, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

Note 9: 340B Drug Pricing Program

The Hospital participates in the 340B Drug Pricing Program (340B Program) enabling the Hospital to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Hospital recorded revenues of $301,973 and $151,149 for the years ending December 31, 2022 and 2021, respectively, which is included in other operating revenue in the accompanying statement of revenues and expenses and changes in net position. The Hospital recorded expenses of $166,712 and $74,850 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. This program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to financial statement amounts related to the 340B Program could occur in the near term.

Note 10: Pension Plan

Plan Description

The Hospital contributes to the Kansas Public Employees Retirement System (KPERS) plan, a cost-sharing multiple-employer defined benefit pension plan covering substantially all employees. KPERS 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, Kansas Police and Fire Retirement System and Kansas Retirement System for Judges.

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

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

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

The Hospital's employees participate in the Local group.

Benefits Provided

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

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

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

Contributions

The law governing KPERS requires an actuary to make an annual valuation of the liabilities and reserves and a determination of the contributions required to discharge the KPERS liabilities. The actuary then recommends to the KPERS Board of Trustees the statewide employer-contribution rates required to maintain the three systems on the actuarial reserve basis. Prior to January 1, 2014, Tier 1 participants were required to contribute 4% of their annual pay. Effective January 1, 2014, the rate was raised to 5% with an increase in the benefit multiplier to 1.85% beginning January 1, 2014, for future years of service only. Effective January 1, 2015, the contribution rate was raised to 6%. Tier 2 participants are required to contribute 6% of compensation. The Hospital's contractually required contribution rate for the years ended December 31, 2022 and 2021, was 8.90% and 8.67% of annual payroll, respectively. The employer contribution is actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The Hospital's contributions to KPERS for pensions for the years ended December 31, 2022 and 2021, were $321,408 and $353,650, respectively.

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

At December 31, 2022 and 2021, the Hospital reported a liability of $3,751,758 and $2,384,649, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and 2021, respectively, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of December 31, 2021 and 2020, respectively, rolled forward to June 30, 2022 and 2021, respectively. The Hospital's proportion of the net pension liability was based on the ratio of the Hospital's actual contributions to total employer and nonemployer actual contributions of the group for the respective measurement periods. At June 30, 2022, the Hospital's proportion was 0.188716%, which was an decrease of 0.010012% from its proportion measured as of June 30, 2021, which was 0.198728%. The June 30, 2020, Hospital proportion was 0.179890%.

For the years ended December 31, 2022 and 2021, the Hospital recognized pension expense of $563,148 and $273,757, respectively. At December 31, 2022 and 2021, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 141,907	$ 6,725
Net difference between projected and actual earnings on pension plan investments	317,586	-
Changes of assumptions	599,697	-
Changes in proportion	296,942	109,187
Hospital contributions subsequent to the measurement date	176,015	-
Total	$ 1,532,147	$ 115,912

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 94,128	$ 21,592
Net difference between projected and actual earnings on pension plan investments	-	846,782
Changes of assumptions	469,421	-
Changes in proportion	427,349	23,545
Hospital contributions subsequent to the measurement date	191,807	-
Total	$ 1,182,705	$ 891,919

At December 31, 2022, the Hospital reported $176,015 as deferred outflows of resources related to pension contributions made subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2022, related to pensions will be recognized in pension expense as follows:

2023	$ 381,836
2024	358,620
2025	168,187
2026	322,600
2027	8,977
	$ 1,240,220

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:

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

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

The actuarial assumptions used in 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 tables:

	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	23.50%	5.20%	23.50%	5.20%
Non-U.S. equities	23.50%	6.40%	23.50%	6.40%
Private equity	8.00%	9.50%	8.00%	9.50%
Private real estate	11.00%	4.45%	11.00%	4.45%
Yield driven	8.00%	4.70%	8.00%	4.70%
Real return	11.00%	3.25%	11.00%	3.25%
Fixed income	11.00%	1.55%	11.00%	1.55%
Short-term investments	4.00%	0.25%	4.00%	0.25%
	100.00%		100.00%	

Discount Rate

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

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Hospital's proportionate share of the net pension liability	$ 5,389,521	$ 3,751,758	$ 2,387,263

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

Benefits Provided

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

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

	2022	2021
Active employees	58	67
Disabled employees	1	1
	59	68

Total OPEB Liability

The Hospital's total OPEB liability of $114,430 and $136,191 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, 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 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	$ 136,191	$ 136,903
Changes for the year:		
Service cost	14,792	10,979
Interest	2,935	2,934
Differences between expected and actual experience	4,269	15,727
Changes of assumptions	(13,289)	116
Benefit payments	(30,468)	(30,468)
Net changes	(21,761)	(712)
Balance, end of year	$ 114,430	$ 136,191

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

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

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
Hospital's total OPEB liability	$ 116,521	$ 114,430	$ 112,209

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

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

For the years ended December 31, 2022 and 2021, the Hospital recognized OPEB expense of $28,729 and $25,812, respectively. At December 31, 2022 and 2021, the Hospital 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	$ 83,679	$ (7,049)
Changes of assumptions	3,282	(12,528)
Total	$ 86,961	$ (19,577)

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 92,883	$ (8,552)
Changes of assumptions	3,778	(703)
Total	$ 96,661	$ (9,255)

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	$	11,002
2024		11,002
2025		11,002
2026		11,037
2027		11,588
Thereafter		11,753
	$	67,384

Note 12: Management/Services Agreement

The Board has contracted with Great Plains Health Alliance, Inc. (GPHA) for various services, including management, data processing and accounting services. The terms of the agreements vary from one to seven years and can be canceled with 60 days' notice. The agreements can be renewed after the initial term has expired on a year-to-year basis. Fees incurred for the various services provided by GPHA to the Hospital for the years ended December 31, 2022 and 2021, were $651,130 and $550,198, respectively. Amounts due to GPHA at December 31, 2022 and 2021, totaled $12,469 and $9,893, respectively.

Note 13: Compliance with Budgetary Statutes

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

	2022		
	Actual	Budget	Variance Under (Over)
General Fund			
Revenues			
Taxes	$ 1,804,900	$ 1,270,376	$ (534,524)
Patient related revenues	9,675,726	7,800,000	(1,875,726)
Interest income	21,681	29,422	7,741
Other	820,237	685,294	(134,943)
Total revenues	12,322,544	9,785,092	(2,537,452)
Expenses			
Patient related expenses	9,849,069	8,709,000	(1,140,069)
Interest expense	502,071	504,950	2,879
Capital outlay	321,129	922,380	601,251
Total expenses	10,672,269	10,136,330	(535,939)
Excess (deficiency) of revenues over expenses	$ 1,650,275	$ (351,238)	$ (2,001,513)

	2021		
	Actual	Budget	Variance Under (Over)
General Fund			
Revenues			
Taxes	$ 1,639,647	$ 1,200,361	$ (439,286)
Patient related revenues	8,014,804	7,326,885	(687,919)
Interest income	8,418	24,506	16,088
Other	4,526,349	662,736	(3,863,613)
Total revenues	14,189,218	9,214,488	(4,974,730)
Expenses			
Patient related expenses	8,373,194	8,021,337	(351,857)
Interest expense	531,167	530,513	(654)
Capital outlay	927,613	936,001	8,388
Total expenses	9,831,974	9,487,851	(344,123)
Excess (deficiency) of revenues over expenses	$ 4,357,244	$ (273,363)	$ (4,630,607)

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

	2022	2021
Increase in net position - financial basis	$ 624,032	$ 3,896,310
Depreciation	1,219,514	1,203,736
Provision for uncollectible accounts	127,858	184,811
Capital outlay	(321,129)	(927,613)
Excess of revenues over expenses	$ 1,650,275	$ 4,357,244

Note 14: 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 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 results of operations may have an effect on the inputs and assumptions used in significant accounting estimates, including estimated bad debts and contractual adjustments related to uninsured and other patient accounts.

Provider Relief Fund

During the years ended December 31, 2022 and 2021, the Hospital received $0 and $355,399 of distributions from the *CARES Act* Provider Relief Fund, respectively. 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 $100,000 and $3,397,915, related to the Provider Relief Fund, and these payments are recorded as Provider Relief Funds (*CARES Act*). The unrecognized amount of Provider Relief Fund distributions of $0 and $100,000 is recorded as a component of unearned revenue in the accompanying balance sheets for the years ended December 31, 2022 and 2021, respectively.

Guidance for reporting use of Provider Relief Fund payments received has changed significantly since distributions were authorized through the *CARES Act* in March 2020. The Hospital has evaluated the "Post-Payment Notice of Reporting Requirements" (Notice) and the Frequently Asked Questions (FAQs) issued by HHS for the years ended December 31, 2022 and 2021, and has recognized revenue accordingly. The Hospital will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Hospital's revenues and expenses. The terms and conditions governing the Provider Relief Fund are complex and subject to interpretation and change. If the Hospital is unable to attest to or comply with current or future terms and conditions, its ability to retain some or all of the distributions received may be affected. Additionally, the amounts recorded in the financial statements compared to the Hospital's Provider Relief Fund reporting could differ. Provider Relief Fund payments are subject to government oversight, including potential audits.

Medicare Accelerated and Advanced Payment Program

During year ended December 31, 2020, the Hospital requested accelerated Medicare payments as provided for in the *CARES Act*, which allows for eligible health care facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other health care providers. These amounts are expected to be recaptured by CMS according to the payback provisions.

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

During the year ended December 31, 2020, the Hospital received $2,426,418 from these accelerated Medicare payment requests. On March 8, 2021, the Hospital paid back the advances from Medicare in full.

Paycheck Protection Program (PPP) Loan

During the year ended December 31, 2020, the Hospital received a PPP loan of $705,922 established by the *CARES Act* and has accounted for the funding as debt in accordance with GASB 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan is recognized as nonoperating revenue in the financial statements in the period the debt is legally forgiven. PPP loans are subject to audit and acceptance by the SBA, or lender; as a result of such audit, adjustment could be required to any revenue recognized. The Hospital received legal notice on January 12, 2021, that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment as other nonoperating revenue during 2021 in the accompanying statements of revenues, expenses and changes in net position.

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 to provide emergency funding support to CAHs and non-CAH rural hospitals with less than 50 beds. This approach provided funding directly to the states to target those rural hospitals and the communities they serve who are facing the greatest strain from this crisis. The Hospital received and recognized $257,367 and $63,613 during 2022 and 2021, respectively, related to this Small Rural Hospital Improvement Program (SHIP) grant. The payments are recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

The Hospital received and recognized $3,274 and $99,493 during 2022 and 2021, respectively, from 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 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 Hospital expects to first apply GASB No. 96 during the year ending June 30, 2023, using a retrospective recognition method. The impact of applying the statement

Required Supplementary Information

Ashland Hospital District No. 3

Schedule of the Hospital's Proportionate Share of the Net Pension Liability
Kansas Public Employees Retirement System Plan
Last Ten Fiscal Years

	2022 *	2021 *	2020 *	2019 *	2018 *
Hospital's proportion of the net pension liability	0.188716%	0.198728%	0.179890%	0.157381%	0.156575%
Hospital's proportionate share of the net pension liability	$ 3,751,758	$ 2,384,649	$ 3,118,670	$ 2,199,199	$ 2,182,327
Hospital's covered-employee payroll	$ 3,690,127	$ 3,803,356	$ 3,315,712	$ 2,656,810	$ 2,627,178
Hospital's proportionate share of the net pension liability as a percentage of its covered-employee payroll	101.67%	62.70%	94.06%	82.78%	83.07%
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 year reported).

2017 *	2016 *	2015 *	2014 *
0.150131%	0.171870%	0.173977%	0.179562%
$ 2,174,581	$ 2,658,880	$ 2,284,395	$2,210,073
$ 2,798,992	$ 2,842,766	$ 2,926,161	$2,944,083
77.69%	93.53%	78.07%	75.07%
67.12%	65.10%	64.95%	66.60%

Ashland Hospital District No. 3

Schedule of the Hospital's Pension Contributions

Kansas Public Employees Retirement System Plan

Last Ten Fiscal Years

	2022 *	2021 *	2020 *	2019 *	2018 *
Contractually required contribution	$ 321,408	$ 353,650	$ 334,738	$ 278,271	$ 268,104
Contribution in relation to the contractually required contribution	321,408	353,650	334,738	278,271	268,104
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Hospital's covered-employee payroll	$ 3,655,582	$ 3,831,507	$ 3,739,989	$ 2,710,008	$ 2,473,037
Contributions as a percentage of covered-employee payroll	8.79%	9.23%	8.95%	10.27%	10.84%

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 of the year reported).

2017 *	2016 *	2015 *	2014 *
$ 239,061	$ 262,168	$ 262,095	$ 272,257
239,061	262,168	262,095	272,257
$ -	$ -	$ -	$ -
$ 2,726,769	$ 2,800,399	$ 2,861,341	$ 2,990,981
8.77%	9.36%	9.16%	9.10%

Ashland Hospital District No. 3

Schedule of the Hospital's Pension Contributions

Kansas Public Employees Retirement System Plan

Last Ten Fiscal Years

	2022 *	2021 *	2020 *	2019 *	2018 *	2017 *
Total OPEB Liability						
Service cost	$ 14,792	$ 10,979	$ 10,010	$ 10,110	$ 9,977	$ 10,780
Interest	2,935	2,934	4,620	1,490	1,879	1,598
Differences between expected and actual experience	4,269	15,727	12,073	99,883	(14,564)	-
Changes in assumptions	(13,289)	116	3,559	1,207	(365)	(1,015)
Benefit payments	(30,468)	(30,468)	(30,468)	(7,871)	(14,163)	(14,163)
Net Change in Total OPEB Liability	(21,761)	(712)	(206)	104,819	(17,236)	(2,800)
Hospital's Total OPEB Liability - Beginning	136,191	136,903	137,109	32,290	49,526	52,326
Hospital's Total OPEB Liability - Ending	$ 114,430	$ 136,191	$ 136,903	$ 137,109	$ 32,290	$ 49,526
Hospital's Covered-Employee Payroll	$ 3,614,244	$ 3,724,029	$ 2,725,267	$ 2,583,780	$ 2,647,782	$ 2,659,706
Hospital's Total OPEB Liability as a Percentage of Covered-Employee Payroll	3.17%	3.66%	5.02%	5.31%	1.22%	1.86%
Discount Rate	3.54%	2.16%	2.21%	3.50%	3.87%	3.58%

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 the year reported).