Graham County Hospital
A Component Unit of
Graham County, Kansas



Independent Auditor's Report and Financial Statements

December 31, 2022 and 2021

Graham County Hospital
A Component Unit of Graham County, Kansas
December 31, 2022 and 2021

Contents

Independent Auditor's Report **1**

Financial Statements

Balance Sheets 4

Statements of Revenues, Expenses and Changes in Net Position 5

Statements of Cash Flows 6

Notes to Financial Statements 8

Required Supplementary Information

Schedule of the Hospital's Proportionate Share of the Net Pension Liability 32

Schedule of the Hospital's Pension Contributions 33

Schedule of Changes in the Hospital's Total OPEB Liability and Related Ratios 34

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Independent Auditor's Report

Board of Trustees
Graham County Hospital
Hill City, Kansas

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Graham County Hospital as of December 31, 2022 and 2021, and the changes in its 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the Graham 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 the Graham 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 Graham 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 Graham 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

Accounting principles generally accepted in the United States of America require that the pension and other postemployment benefits information listed in the table of contents be presented to supplement the basic financial statements. Such information 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 information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

FORVIS, LLP

Wichita, Kansas
September 1, 2023

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

Assets and Deferred Outflows of Resources

	2022	2021
Current Assets		
Cash and cash equivalents	$ 371,661	$ 1,768,867
Restricted cash	297,471	211,548
Patient accounts receivable, net of allowance;		
2022 - $503,000, 2021 - $514,000	2,294,111	2,431,125
Estimated amounts due from third-party payers	669,431	538,299
Supplies	202,235	196,493
Other receivables	1,486,972	221,591
Prepaid expenses and other	339,614	361,476
Total current assets	5,661,495	5,729,399
Noncurrent Investments		
Certificates of deposit designated by Board of Trustees	7,124,231	6,045,613
Farmland	1,007,690	967,990
	8,131,921	7,013,603
Capital Assets, Net	2,480,422	2,575,407
Scholarship Receivable	-	2,450
Total assets	16,273,838	15,320,859
Deferred Outflows of Resources		
Pension	1,656,040	1,222,685
Other postemployment benefits	2,926	3,364
Total deferred outflows of resources	1,658,966	1,226,049
Total assets and deferred outflows of resources	$ 17,932,804	$ 16,546,908

See Notes to Financial Statements

Liabilities, Deferred Inflows of Resources and Net Position

	2022	2021
Current Liabilities		
Accounts payable	$ 147,451	$ 243,552
Accrued expenses	752,910	652,628
Estimated amounts due to third-party payers	-	57,444
Unearned revenue	-	302,596
Total current liabilities	900,361	1,256,220
Net Pension Liability	4,083,781	2,670,095
Total Other Postemployment Benefits Liability	44,451	59,422
Total liabilities	5,028,593	3,985,737
Deferred Inflows of Resources		
Pension	193,795	986,452
Other postemployment benefits	55,670	30,790
Total deferred inflows of resources	249,465	1,017,242
Net Position		
Net investment in capital assets	2,480,422	2,575,407
Unrestricted	10,174,324	8,968,522
Total net position	12,654,746	11,543,929
Total liabilities, deferred inflows of resources and net position	$ 17,932,804	$ 16,546,908

Graham County Hospital
A Component Unit of Graham County, Kansas
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 - $328,230; 2021 - $389,093	$ 8,569,299	$ 7,460,230
Other	807,922	826,609
Total operating revenues	9,377,221	8,286,839
Operating Expenses		
Salaries and wages	4,748,848	4,586,319
Employee benefits	1,634,301	1,294,807
Purchased services and professional fees	1,697,062	1,258,205
Other supplies and expenses	2,216,780	1,862,535
Depreciation	389,779	346,004
Total operating expenses	10,686,770	9,347,870
Operating Loss	(1,309,549)	(1,061,031)
Nonoperating Revenues (Expenses)		
Noncapital appropriations - Graham County	663,193	739,954
Investment income	123,191	122,721
Gain (loss) on disposal of capital assets	15,000	(21,025)
Noncapital grants and gifts	1,328,285	125,727
Provider Relief Funds (*CARES Act*)	290,697	1,665,717
Paycheck Protection Program (PPP) loan forgiveness	-	882,300
Total nonoperating revenues (expenses)	2,420,366	3,515,394
Increase in Net Position	1,110,817	2,454,363
Net Position, Beginning of Year	11,543,929	9,089,566
Net Position, End of Year	$ 12,654,746	$ 11,543,929

Graham County Hospital
A Component Unit of Graham County, Kansas
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	$ 8,517,737	$ 7,019,851
Payments to suppliers and contractors	(5,259,204)	(3,313,685)
Payments to employees	(6,084,846)	(5,949,284)
Other receipts (payments), net	505,326	(1,748,449)
Net cash used in operating activities	(2,320,987)	(3,991,567)
Cash Flows From Noncapital Financing Activities		
Noncapital appropriations - Graham County	663,193	739,954
Noncapital grants and gifts	1,328,285	125,727
Provider Relief Funds (*CARES Act*)	290,697	1,665,717
Net cash provided by noncapital financing activities	2,282,175	2,531,398
Cash Flows From Capital and Related Financing Activities		
Proceeds from sale of capital assets	15,000	-
Purchases of capital assets	(294,794)	(815,680)
Net cash used in capital and related financing activities	(279,794)	(815,680)
Cash Flows From Investing Activities		
Interest income received	83,491	116,651
Purchase of investments	(2,315,629)	(3,051,225)
Proceeds from disposition of investments	1,237,011	6,427,105
Net repayments on scholarship receivable	2,450	1,000
Net cash provided by (used in) investing activities	(992,677)	3,493,531
Increase (Decrease) in Cash and Cash Equivalents	(1,311,283)	1,217,682
Cash and Cash Equivalents, Beginning of Year	1,980,415	762,733
Cash and Cash Equivalents, End of Year	$ 669,132	$ 1,980,415

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

	2022	2021
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents	$ 371,661	$ 1,768,867
Restricted cash	297,471	211,548
Total cash and cash equivalents	$ 669,132	$ 1,980,415
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities		
Operating loss	$ (1,309,549)	$ (1,061,031)
Depreciation	389,779	346,004
Provision for uncollectible accounts	328,230	389,093
Changes in operating assets and liabilities		
Patient accounts receivable	(191,216)	(1,323,617)
Estimated amounts due from and to third-party payers	(188,576)	494,145
Accounts payable and accrued expenses	4,181	98,406
Other assets and liabilities	(1,249,261)	(274,010)
Unearned revenue	(302,596)	(2,575,058)
Net pension liability	1,413,686	(765,366)
Total other postemployment benefits liability	(14,971)	10,067
Deferred outflows of resources - pension and OPEB	(432,917)	(206,597)
Deferred inflows of resources - pension and OPEB	(767,777)	876,397
Net cash used in operating activities	$ (2,320,987)	$ (3,991,567)
Noncash Investing, Capital and Financing Activities		
PPP loan forgiveness	$ -	$ 882,300

Graham County Hospital
A Component Unit of Graham 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

Graham County Hospital (Hospital) is an acute care hospital located in Hill City, Kansas. The Hospital is a component unit of Graham County (County) and governed by an elected five-member Board of Trustees. The Hospital primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in the Graham County area.

Basis of Accounting and Presentation

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

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.

Restricted Cash

The Hospital has a health reimbursement arrangement to cover medical expenses for its employees. The Hospital decides how much cash to put into the plan and the employees can request reimbursement for actual medical expenses incurred up to that amount. The Hospital funds and owns the arrangement. A corresponding liability is recorded and included as a component of accrued expenses in the accompanying balance sheets.

Noncurrent Investments and Investment Income

Noncurrent investments include assets consisting of certificates of deposit, carried at amortized cost, and farmland, carried at fair value. The certificates of deposit are set aside by the Board of Trustees for future capital improvements over which the Board of Trustees retains control and may at its direction subsequently use for other purposes. The farmland was gifted by a donor's estate and is being held for the purpose of income.

Investment income includes dividend and interest income 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. The following estimated useful lives are being used by the Hospital:

Land improvements	5 – 20 years
Buildings	5 – 40 years
Equipment	3 – 20 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 paid time off and extended 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 paid time off benefits when earned whether the employee is expected to realize the benefit as time off or in cash. Extended leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs, and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; 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 19, 2021, that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment as other nonoperating revenue 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.

Net Position

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

Net Patient Service Revenue

The 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.

Patient Financial Assistance

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

Noncapital Appropriations – Graham County

The Hospital received approximately 6% in 2022 and 2021 of its financial support from proceeds of noncapital appropriations for property and sales taxes. The Hospital requests sales tax funds from the County on an as needed basis.

Property taxes are levied in November of one year and are received beginning in January of the following year. Revenue from noncapital appropriations – Graham 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.

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 2022 and 2021 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 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, $6,159,626 and $7,218,328 of the Hospital's bank balances of $7,885,590 and $8,067,502, respectively, 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	$ 6,159,626	$ 7,218,328

Summary of Carrying Values

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

	2022	2021
Carrying value		
Deposits	$ 7,793,363	$ 8,026,028
Included in the following balance sheet captions		
Cash and cash equivalents	$ 371,661	$ 1,768,867
Restricted cash	297,471	211,548
Noncurrent investments - certificates of deposit	7,124,231	6,045,613
	$ 7,793,363	$ 8,026,028

Investments

The Hospital categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level I inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Hospital has the following recurring fair value measurements as of December 31, 2022 and 2021:

- Farmland of $1,007,690 and $967,990, at December 31, 2022 and 2021, respectively, is valued using a comparative market analysis (Level 2 input).

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	$ 2,042,497	$ 1,859,821
Medicaid	111,387	165,042
Other third-party payers	55,467	298,730
Patients	587,760	621,532
	2,797,111	2,945,125
Less allowance for uncollectible accounts	503,000	514,000
	$ 2,294,111	$ 2,431,125

Note 4: Capital Assets

Capital assets activity for the years ended December 31 was:

	2022				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 86,154	$ -	$ -	$ -	$ 86,154
Land improvements	89,920	-	-	-	89,920
Buildings	3,839,939	-		-	3,839,939
Equipment	3,811,022	294,794	(69,000)	11,978	4,048,794
Construction in progress	11,978		-	(11,978)	-
	7,839,013	294,794	(69,000)	-	8,064,807
Less accumulated depreciation					
Land improvements	79,209	1,043	-	-	80,252
Buildings	2,601,676	87,051		-	2,688,727
Equipment	2,582,721	301,685	(69,000)	-	2,815,406
	5,263,606	389,779	(69,000)	-	5,584,385
Capital assets, net	$ 2,575,407	$ (94,985)	$ -	$ -	$ 2,480,422

	2021				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 86,154	$ -	$ -	$ -	$ 86,154
Land improvements	89,920	-	-	-	89,920
Buildings	3,913,268	-	(73,329)	-	3,839,939
Equipment	3,551,983	803,702	(544,663)	-	3,811,022
Construction in progress	-	11,978	-	-	11,978
	7,641,325	815,680	(617,992)	-	7,839,013
Less accumulated depreciation					
Land improvements	78,167	1,042	-	-	79,209
Buildings	2,587,575	87,430	(73,329)	-	2,601,676
Equipment	2,848,827	257,532	(523,638)	-	2,582,721
	5,514,569	346,004	(596,967)	-	5,263,606
Capital assets, net	$ 2,126,756	$ 469,676	$ (21,025)	$ -	$ 2,575,407

Note 5: Long-term Debt

The following is a summary of long-term debt transactions for the year ended December 31, 2021:

	2021				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
PPP loan payable to bank	$ 882,300	$ -	$ 882,300	$ -	$ -

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 $882,300 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 19, 2021, that the PPP loan was forgiven in its entirety.

Note 6: Professional Liability Coverage and Claims

The Hospital purchases professional liability insurance which provides $500,000 and $200,000 of coverage for each medical incident and $1,500,000 and $600,000 of aggregate coverage for the policy years ended December 31, 2022 and 2021. The policy only covers claims made and reported to the insurer during the policy term, regardless of when the incident giving rise to the claim occurred. The Kansas Health Care Stabilization Fund provides an additional $500,000 and $800,000 of coverage for each medical incident and $1,500,000 and $2,400,000 of aggregate coverage for the policy years ended December 31, 2022 and 2021.

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

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, 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. Medicare Rural Health Clinic services are reimbursed under a cost-based methodology. The Hospital is reimbursed for certain 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 75% and 70% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for 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: Patient Financial Assistance

The costs of patient financial assistance provided under the Hospital's patient financial assistance program were approximately $3,000 and $9,000 for 2022 and 2021, respectively. The cost of patient financial assistance 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 $749,993 and $771,264 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 $399,232 and $413,292 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. The 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 is intended to be a qualified retirement plan under Section 401(a) of the Internal Revenue Code. Benefit provisions are contained in the plan document and were established and can be amended by action of KPERS's governing body. The KPERS issues a publicly available financial report that can be obtained 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

The plan provides retirement, disability and death benefits to plan members and their beneficiaries. Retirement benefits for employees are calculated based on the credited service, final average salary and a statutory multiplier. The plan 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 10 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 8.87% of annual payroll, respectively. The employer contribution is actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The Hospital's contributions to KPERS for pensions for the years ended December 31, 2022 and 2021, were $389,769 and $378,447, 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 $4,083,781 and $2,670,095, 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 0.205417%, which was a decrease of 0.017099% from its proportion measured as of June 30, 2021, of 0.222516%. At June 30, 2020, the Hospital's proportion was 0.198163%.

For the years ended December 31, 2022 and 2021, the Hospital recognized pension expense of $577,746 and $285,911, 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	$ 154,465	$ 7,320
Net difference between projected and actual earnings on pension plan investments	345,692	-
Changes of assumptions	652,769	-
Changes in proportion	296,211	186,475
Hospital's contributions subsequent to the measurement date	206,903	-
Total	$ 1,656,040	$ 193,795

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 105,395	$ 24,177
Net difference between projected and actual earnings on pension plan investments	-	948,143
Changes of assumptions	525,611	-
Changes in proportion	407,718	14,132
Hospital's contributions subsequent to the measurement date	183,961	-
Total	$ 1,222,685	$ 986,452

At December 31, 2022, the Hospital reported $183,961 as deferred outflows of resources related to pension contributions made subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2022, related to pensions will be recognized in pension expense as follows:

2023	$ 382,739
2024	354,854
2025	173,664
2026	336,754
2027	7,331
	$ 1,255,342

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%	3.25% 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	23.5%	5.20%	23.5%	5.20%
Non-U.S. equities	23.5%	6.40%	23.5%	6.40%
Private equity	8.0%	9.50%	8.0%	9.50%
Private real estate	11.0%	4.45%	11.0%	4.45%
Yield driven	8.0%	4.70%	8.0%	4.70%
Real return	11.0%	3.25%	11.0%	3.25%
Fixed income	11.0%	1.55%	11.0%	1.55%
Short-term investments	4.0%	0.25%	4.0%	0.25%
	100.0%		100.0%	

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	$ 5,866,483	$ 4,083,781	$ 2,598,531

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	67	67
Disabled employees	-	-
	67	67

Total OPEB Liability

The Hospital's total OPEB liability of $44,451 and $59,422 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, actuarial valuation.

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-2020 Mortality Tables for the December 31, 2020, actuarial valuation.

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	$ 59,422	$ 49,355
Changes for the year:		
Service cost	15,898	13,394
Interest	1,627	1,387
Differences between expected and actual experience	(14,377)	(4,824)
Changes of assumptions	(18,119)	110
Net changes	(14,971)	10,067
Balance, end of year	$ 44,451	$ 59,422

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 2.16%. The following presents the total OPEB liability using a discount rate 1% higher and 1% lower than the 2022 discount rate.

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
Hospital's total OPEB liability	$ 46,461	$ 44,451	$ 42,286

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 $10,347 and $10,833, 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	$ -	$ (38,580)
Changes of assumptions	2,926	(17,090)
Total	$ 2,926	$ (55,670)

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (29,824)
Changes of assumptions	3,364	(966)
Total	$ 3,364	$ (30,790)

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	$ (7,178)
2024	(7,178)
2025	(7,178)
2026	(7,135)
2027	(6,583)
Thereafter	(17,492)
	$ (52,744)

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

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

The 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 $479,028 and $3,182,209, 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 $290,697 and $1,665,717, related to the Provider Relief Fund, and these payments are recorded as Provider Relief Funds (*CARES Act*). The Hospital paid back $0 and $1,400,268 of Provider Relief Funds for the years ended December 31, 2022 and 2021, respectively. The unrecognized amount of Provider Relief Fund distributions of $0 and $302,596 is recorded as a component of 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 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.

Paycheck Protection Program (PPP) Loan

During the year ended December 31, 2020, the Hospital received a PPP loan of $882,300 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 19, 2021, that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment as other nonoperating revenue in the accompanying statements of revenues, expenses and changes in net position.

Other COVID-19 Funding

In October 2021, the Hospital received $59,696 from a distribution from the Frontline Hospital Employee Retention Plan program. The Hospital recognized $47,797 of this funding in 2021, which is recorded as noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position. 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 unrecognized amount of $11,899 is recorded as a component of unearned revenue in the accompanying balance sheets for the year ended December 31, 2022.

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 $103,389 during 2022 and recorded a receivable of $153,978 at December 31, 2022, related to this SHIP grant. The Hospital received $63,613 during 2021 and recorded a receivable of $153,978 at December 31, 2021, related to this SHIP grant. The Hospital recognized $257,367 and $26,849 during 2022 and 2021, respectively. The recognition of the payment and the receivable is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

Employee Retention Credit

The *CARES Act* and subsequent legislation provides a refundable employee retention tax credit (ERC) to eligible employers who meet either a gross receipts test or a governmental mandate test. The tax credit is equal to a specified percentage of qualified wages paid to employees subject to certain limits. The Hospital has determined it qualifies for the tax credit and has claimed ERCs of $995,316 and $0, respectively, during the years ended December 31, 2022 and 2021, respectively. The following financial statement line items were affected by these transactions:

- Other receivables
- Noncapital grants and gifts

Laws and regulations concerning the employee retention credit are complex and subject to varying interpretation. These credits may be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Hospital's claim to the employee retention credit, and it is not possible to determine the impact this would have on the Hospital.

Note 13: Subsequent Events

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

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. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

Required Supplementary Information

Graham County Hospital
A Component Unit of Graham County, Kansas
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 *
Hospital's proportion of the net pension liability	0.205417%	0.222516%	0.198163%	0.185174%
Hospital's proportionate share of the net pension liability	$ 4,083,781	$ 2,670,095	$ 3,435,461	$ 2,587,570
Hospital's covered-employee payroll	$ 4,379,426	$ 4,138,397	$ 3,769,666	$ 3,428,963
Hospital's proportionate share of the net pension liability as a percentage of its covered-employee payroll	93.25%	64.52%	91.13%	75.46%
Plan fiduciary net position as a percentage of the total pension liability	69.75%	76.40%	66.30%	69.88%

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).

2018 *	2017 *	2016 *	2015 *	2014 *
0.181446%	0.181255%	0.194302%	0.207488%	0.214663%
$ 2,528,976	$ 2,625,398	$ 3,005,909	$ 2,724,409	$ 2,642,100
$ 3,289,696	$ 3,214,297	$ 3,330,742	$ 3,680,191	$ 3,850,675
76.88%	81.68%	90.25%	74.03%	68.61%
68.88%	67.12%	65.10%	64.95%	66.60%

Graham County Hospital
A Component Unit of Graham County, Kansas
Schedule of the Hospital's Pension Contributions
Kansas Public Employees Retirement System Plan
Last Ten Fiscal Years

	2022 *	2021 *	2020 *	2019 *
Contractually required contribution	$ 389,769	$ 378,447	$ 345,277	$ 313,741
Contribution in relation to the contractually required contribution	389,769	378,447	345,277	313,741
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Hospital's covered-employee payroll	$ 4,379,426	$ 4,266,603	$ 4,010,191	$ 3,529,142
Contributions as a percentage of covered-employee payroll	8.90%	8.87%	8.61%	8.89%

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).

2018 *	2017 *	2016 *	2015 *	2014 *
$ 279,285	$ 273,890	$ 289,442	$ 310,354	$ 333,591
279,285	273,890	289,442	310,354	333,591
$ -	$ -	$ -	$ -	$ -
$ 3,328,783	$ 3,250,609	$ 3,152,963	$ 3,520,988	$ 4,137,052
8.39%	8.43%	9.18%	8.81%	8.06%

Graham County Hospital
A Component Unit of Graham County, Kansas
Schedule of Changes in the Hospital's Total OPEB Liability and Related Ratios
Last Ten Fiscal Years

	2022 *	2021 *	2020 *	2019 *
Total OPEB Liability				
Service cost	$ 15,898	$ 13,394	$ 12,275	$ 9,817
Interest	1,627	1,387	2,142	2,035
Differences between expected and actual experience	(14,377)	(4,824)	(16,927)	(5,556)
Changes in assumptions	(18,119)	110	3,361	845
Benefit payments	-	-	(800)	(1,200)
Net Change in Total OPEB Liability	(14,971)	10,067	51	5,941
Hospital's Total OPEB Liability - Beginning	59,422	49,355	49,304	43,363
Hospital's Total OPEB Liability - Ending	$ 44,451	$ 59,422	$ 49,355	$ 49,304
Hospital's Covered-employee Payroll	$ 4,129,570	$ 3,972,473	$ 3,468,425	$ 3,473,023
Hospital's Total OPEB Liability as a Percentage of Covered-Employee Payroll	1.08%	1.50%	1.42%	1.42%
Discount Rate	3.54%	2.16%	2.21%	3.50%

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 of 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).

2018 *	2017 *
$ 9,729	$ 11,491
2,035	1,539
(13,850)	-
(588)	(1,287)
(2,137)	(12,088)
(4,811)	(345)
48,174	48,519
$ 43,363	$ 48,174
$ 2,917,992	$ 3,116,588
1.49%	1.55%
3.87%	3.58%