

**Sheridan County Health Complex**  
**A Component Unit of Sheridan County, Kansas**

Independent Auditor's Report and Financial Statements

December 31, 2021 and 2020

**Sheridan County Health Complex**  
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**December 31, 2021 and 2020**

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## Independent Auditor's Report

Board of Trustees  
Sheridan County Health Complex  
Hoxie, Kansas

### ***Report on the Financial Statements***

#### ***Opinion***

We have audited the accompanying financial statements of Sheridan County Health Complex (Hospital), a component unit of Sheridan County, Kansas, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sheridan County Health Complex as of December 31, 2021 and 2020, and 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), the provisions of the *Kansas Municipal Audit and Accounting Guide* 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 Hospital, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 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.

### ***Auditor's Responsibility 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 the 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 the Hospital's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

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

### ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hospital's basic financial statements. The supplementary information, including the schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2022, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Sheridan County Health Complex's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sheridan County Health Complex's internal control over financial reporting and compliance.

**FORVIS,LLP**

Wichita, Kansas  
July 22, 2022

**Sheridan County Hospital**  
**A Component Unit of Sheridan County, Kansas**  
**Balance Sheets**  
**December 31, 2020 and 2019**

**Assets**

	<b>2021</b>	<b>2020</b>
<b>Current Assets</b>		
Cash	\$ 6,054,473	\$ 11,024,536
Short-term certificates of deposit	1,244,489	1,239,387
Patient accounts receivable, net of allowance; 2021 - \$367,000, 2020 - \$270,000	1,599,454	1,366,997
340B pharmacy receivable	54,443	35,165
Noncapital appropriations - Sheridan County - sales taxes receivable	94,592	66,606
Grants receivable	521,190	232,571
Estimated amounts due from third-party payers	1,010,000	1,030,000
Supplies	470,783	417,444
Prepaid expenses and other	115,545	82,078
Total current assets	11,164,969	15,494,784
 <b>Capital Assets, Net</b>	 3,972,763	 2,400,324
Total assets	\$ 15,137,732	\$ 17,895,108

## Liabilities and Net Position

	2021	2020
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 2,358,439	\$ 108,438
Accounts payable	605,993	296,482
Accrued expenses	716,654	757,427
Unearned revenue	299,917	3,783,146
Advance from Medicare	1,356,562	672,184
Total current liabilities	5,337,565	5,617,677
<b>Advance from Medicare</b>	-	1,495,906
<b>Long-term Debt</b>	371,560	2,730,213
Total liabilities	5,709,125	9,843,796
<b>Net Position</b>		
Net investment in capital assets	1,781,141	1,684,595
Restricted - expendable	30,479	121,454
Unrestricted	7,616,987	6,245,263
Total net position	9,428,607	8,051,312
Total liabilities and net position	\$ 15,137,732	\$ 17,895,108

**Sheridan County Health Complex**  
**A Component Unit of Sheridan County, Kansas**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended December 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Operating Revenues</b>		
Net patient service revenue, net of provision for uncollectible accounts; 2021 - \$290,755, 2020 - \$231,603	\$ 10,417,096	\$ 10,081,721
Other	469,436	465,112
Total operating revenues	<u>10,886,532</u>	<u>10,546,833</u>
<b>Operating Expenses</b>		
Salaries and wages	7,859,941	7,567,873
Employee benefits	1,856,804	1,880,874
Purchased services and professional fees	2,061,192	1,191,667
Supplies and other	3,182,627	3,110,095
Depreciation	<u>396,040</u>	<u>487,127</u>
Total operating expenses	<u>15,356,604</u>	<u>14,237,636</u>
<b>Operating Loss</b>	<u>(4,470,072)</u>	<u>(3,690,803)</u>
<b>Nonoperating Revenues (Expenses)</b>		
Noncapital appropriations - Sheridan County - property taxes	807,206	789,400
Noncapital appropriations - Sheridan County - sales taxes	524,152	404,856
Interest income	73,483	41,676
Interest expense	(195,884)	(8,892)
Noncapital grants and gifts	4,613,771	2,322,671
Paycheck Protection Program (PPP) loan forgiveness	<u>-</u>	<u>1,457,392</u>
Total nonoperating revenues	<u>5,822,728</u>	<u>5,007,103</u>
<b>Excess of Revenues Over Expenses Before Capital Grants and Gifts</b>	<u>1,352,656</u>	<u>1,316,300</u>
<b>Capital Grants and Gifts</b>	<u>24,639</u>	<u>-</u>
<b>Increase in Net Position</b>	1,377,295	1,316,300
<b>Net Position, Beginning of Year</b>	<u>8,051,312</u>	<u>6,735,012</u>
<b>Net Position, End of Year</b>	<u><u>\$ 9,428,607</u></u>	<u><u>\$ 8,051,312</u></u>



**Sheridan County Health Complex**  
**A Component Unit of Sheridan County, Kansas**  
**Statements of Cash Flows**  
**Years Ended December 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Cash Flows From Operating Activities</b>		
Receipts from and on behalf of patients	\$ 9,085,214	\$ 11,025,946
Payments to suppliers and contractors	(5,184,197)	(4,313,279)
Payments to employees	(9,757,518)	(9,233,033)
Other receipts, net	469,436	465,112
	<u>(5,387,065)</u>	<u>(2,055,254)</u>
<b>Net cash used in operating activities</b>		
<b>Cash Flows From Noncapital Financing Activities</b>		
Noncapital appropriations - Sheridan County - property taxes	807,206	789,400
Noncapital appropriations - Sheridan County - sales taxes	496,166	399,636
Noncapital grants and gifts	1,130,542	6,106,297
Proceeds from issuance of PPP loan	-	1,448,500
	<u>2,433,914</u>	<u>8,743,833</u>
<b>Net cash provided by financing activities</b>		
<b>Cash Flows From Capital and Related Financing Activities</b>		
Capital grants and gifts	24,639	-
Principal paid on long-term debt	(108,652)	(108,545)
Interest paid on long-term debt	(195,884)	-
Purchase of capital assets	(1,805,396)	(473,056)
	<u>(2,085,293)</u>	<u>(581,601)</u>
<b>Net cash used in capital and related financing activities</b>		
<b>Cash Flows From Investing Activities</b>		
Interest income received	73,483	41,676
Purchases of short-term certificates of deposit	(1,244,489)	(1,239,387)
Maturities of short-term certificates of deposit	1,239,387	1,216,459
	<u>68,381</u>	<u>18,748</u>
<b>Net cash provided by investing activities</b>		
<b>Increase (Decrease) in Cash</b>	(4,970,063)	6,125,726
<b>Cash, Beginning of Year</b>	<u>11,024,536</u>	<u>4,898,810</u>
<b>Cash, End of Year</b>	<u><u>\$ 6,054,473</u></u>	<u><u>\$ 11,024,536</u></u>

**Sheridan County Health Complex**  
**A Component Unit of Sheridan County, Kansas**  
**Statements of Cash Flows (Continued)**  
**Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities</b>		
Operating loss	\$ (4,470,072)	\$ (3,690,803)
Depreciation	396,040	487,127
Provision for uncollectible accounts	290,755	231,603
Changes in operating assets and liabilities		
Patient accounts receivable, net	(523,212)	(359,498)
Estimated amounts due from or to third-party payers	20,000	(1,105,000)
Advance from Medicare	(811,528)	2,168,090
Accounts payable and accrued expenses	105,655	235,527
Other assets and liabilities	<u>(394,703)</u>	<u>(22,300)</u>
Net cash used in operating activities	<u>\$ (5,387,065)</u>	<u>\$ (2,055,254)</u>
<b>Noncash Investing, Capital and Financing Activities</b>		
Capital assets acquisitions included in accounts payable	\$ 163,083	\$ 48,573
PPP loan forgiveness	\$ -	\$ 1,457,392

**Sheridan County Health Complex**  
**A Component Unit of Sheridan County, Kansas**  
**Notes to Financial Statements**  
**December 31, 2021 and 2020**

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

***Nature of Operations and Reporting Entity***

Sheridan County Health Complex (Hospital) is an acute care hospital located in Hoxie, Kansas. The Hospital is a component unit of Sheridan County, Kansas (County). The Hospital is operated by a Board of Trustees elected by the registered voters of Sheridan County, Kansas. The Hospital primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in the Sheridan County area. It also operates a long-term care unit and assisted living in the same geographic 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 and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific (such as county appropriations), investment income, and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Hospital first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is 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 and liabilities 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.

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**December 31, 2021 and 2020**

***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 – 20 years
Buildings	5 – 40 years
Fixed equipment	5 – 25 years
Major moveable 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, 2021 and 2020.

***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

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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 other than workers' compensation. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

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

***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 November 23, 2020, that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment as other nonoperating revenue on the accompanying statements of revenues, expenses and changes in net position.

***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.

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**Notes to Financial Statements**  
**December 31, 2021 and 2020**

- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

***Net Patient Service Revenue***

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

***Charity Care***

The Hospital provides charity care to patients who are unable to pay for services. The amount of charity care is included in net patient service revenue and is not separately classified from the provision for uncollectible accounts.

***Noncapital Appropriations – Sheridan County – Property and Sales Tax Revenues***

The Hospital received approximately 8% in both 2021 and 2020 of its financial support from the proceeds of noncapital appropriations for property and sales taxes. One hundred percent of these funds were used to support operations in both years.

Property taxes are assessed by the County in November and are received beginning in January of the following year.

Sales tax revenue is recognized based on sales tax collected by the County's retailers in the Hospital's accounting period.

Noncapital appropriations revenue for both property and sales taxes are 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

**Sheridan County Health Complex**  
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**Notes to Financial Statements**  
**December 31, 2021 and 2020**

are recognized as revenue once the applicable terms and conditions required to retain the funds have been met and are classified as nonoperating revenue in the accompanying statements of revenues, expenses and changes in net position. The unrecognized amount of Provider Relief Fund distributions is recorded as unearned revenue in the accompanying balance sheets.

***Income Taxes***

As an essential government function of the County, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the Hospital is subject to federal income tax on any unrelated business taxable income. The Hospital has obtained 501(c)(3) tax-exempt status with the IRS for purposes of participating in a Section 403(b) pension plan.

***Reclassifications***

Certain reclassifications have been made to the 2020 financial statements to conform to the 2021 presentation. The reclassifications had no effect on the changes in financial position.

**Note 2: Deposits**

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

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Kansas; bonds of any city, county, school district or special road district of the state of Kansas; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At December 31, 2021 and 2020, respectively, \$5,981,347 and \$11,177,103 of the Hospital's bank balances of \$7,481,347 and \$12,427,103 were exposed to custodial credit risk as follows:

	<u><b>2021</b></u>	<u><b>2020</b></u>
Uninsured and collateral held by pledging financial institution	<u>\$ 5,981,347</u>	<u>\$ 11,177,103</u>

**Sheridan County Health Complex**  
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**Notes to Financial Statements**  
**December 31, 2021 and 2020**

***Summary of Carrying Values***

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

	<b>2021</b>	<b>2020</b>
Carrying value		
Deposits	<u>\$ 7,298,962</u>	<u>\$ 12,263,923</u>
Included in the following balance sheet captions		
Cash	\$ 6,054,473	\$ 11,024,536
Short-term certificates of deposit	<u>1,244,489</u>	<u>1,239,387</u>
	<u>\$ 7,298,962</u>	<u>\$ 12,263,923</u>

**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:

	<b>2021</b>	<b>2020</b>
Medicare	\$ 857,409	\$ 801,743
Medicaid	97,238	83,894
Blue Cross	364,605	274,027
Other third-party payers	205,305	167,139
Patients	<u>441,897</u>	<u>310,194</u>
	1,966,454	1,636,997
Less allowance for uncollectible accounts	<u>367,000</u>	<u>270,000</u>
	<u>\$ 1,599,454</u>	<u>\$ 1,366,997</u>



**Sheridan County Health Complex**  
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**Notes to Financial Statements**  
**December 31, 2021 and 2020**

**Note 4: Capital Assets**

Capital assets activity for the years ended December 31 was:

<b>2021</b>					
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Ending Balance</b>
Land	\$ 68,208	\$ -	\$ -	\$ -	\$ 68,208
Land improvements	262,696	-	-	58,829	321,525
Buildings	4,067,604	-	-	1,938,488	6,006,092
Fixed equipment	1,222,339	14,299	-	55,955	1,292,593
Major moveable equipment	5,055,888	141,343	(41,661)	69,853	5,225,423
Construction in progress	477,909	1,812,837	-	(2,123,125)	167,621
	<u>11,154,644</u>	<u>1,968,479</u>	<u>(41,661)</u>	<u>-</u>	<u>13,081,462</u>
Less accumulated depreciation					
Land improvements	191,997	8,751	-	-	200,748
Buildings	3,234,090	68,902	-	-	3,302,992
Fixed equipment	940,216	62,325	-	-	1,002,541
Major moveable equipment	4,388,017	256,062	(41,661)	-	4,602,418
	<u>8,754,320</u>	<u>396,040</u>	<u>(41,661)</u>	<u>-</u>	<u>9,108,699</u>
Capital assets, net	<u>\$ 2,400,324</u>	<u>\$ 1,572,439</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,972,763</u>

  

<b>2020</b>					
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Ending Balance</b>
Land	\$ 68,208	\$ -	\$ -	\$ -	\$ 68,208
Land improvements	262,696	-	-	-	262,696
Buildings	4,058,885	8,719	-	-	4,067,604
Fixed equipment	1,215,489	6,850	-	-	1,222,339
Major moveable equipment	4,954,468	101,420	-	-	5,055,888
Construction in progress	170,415	307,494	-	-	477,909
	<u>10,730,161</u>	<u>424,483</u>	<u>-</u>	<u>-</u>	<u>11,154,644</u>
Less accumulated depreciation					
Land improvements	185,073	6,924	-	-	191,997
Buildings	3,187,133	46,957	-	-	3,234,090
Fixed equipment	875,458	64,758	-	-	940,216
Major moveable equipment	4,019,529	368,488	-	-	4,388,017
	<u>8,267,193</u>	<u>487,127</u>	<u>-</u>	<u>-</u>	<u>8,754,320</u>
Capital assets, net	<u>\$ 2,462,968</u>	<u>\$ (62,644)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,400,324</u>

**Sheridan County Health Complex**  
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**Note 5: Long-term Debt**

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

	2021				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Revenue bonds payable					
Series 2015-A	\$ 100,000	\$ -	\$ (20,000)	\$ 80,000	\$ 20,000
Series 2015-B	187,500	-	(37,500)	150,000	37,500
Series 2015-C	75,140	-	(15,028)	60,112	15,028
Series 2019-A	54,400	-	(13,600)	40,800	13,600
Series 2019-B	2,250,000	-	-	2,250,000	2,250,000
Notes payable	171,611	-	(22,524)	149,087	22,311
Total long-term debt	<u>\$ 2,838,651</u>	<u>\$ -</u>	<u>\$ (108,652)</u>	<u>\$ 2,729,999</u>	<u>\$ 2,358,439</u>

  

	2020				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Revenue bonds payable					
Series 2015-A	\$ 120,000	\$ -	\$ (20,000)	\$ 100,000	\$ 20,000
Series 2015-B	225,000	-	(37,500)	187,500	37,500
Series 2015-C	90,168	-	(15,028)	75,140	15,028
Series 2019-A	68,000	-	(13,600)	54,400	13,600
Series 2019-B	2,250,000	-	-	2,250,000	-
Notes payable	194,028	-	(22,417)	171,611	22,310
Total long-term debt	<u>\$ 2,947,196</u>	<u>\$ -</u>	<u>\$ (108,545)</u>	<u>\$ 2,838,651</u>	<u>\$ 108,438</u>

**Revenue Bonds Payable – Series 2015-A**

The Series 2015-A revenue bonds payable consist of Health Facilities Revenue Bonds (Bonds) in the original amount of \$200,000 dated February 23, 2015. These Bonds were purchased in their entirety by Prairie Land Electric Cooperative, Inc. at their par value with no interest due on these Bonds pursuant to a Rural Economic Development Loan and Grant Program. The proceeds were used to finance the construction of a modular building to house the CT scanner. The Bonds are payable in annual installments of \$20,000 through March 3, 2025.

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***Revenue Bonds Payable – Series 2015-B***

The Series 2015-B revenue bonds payable consist of Health Facilities Revenue Bonds (Bonds) in the original amount of \$375,000 dated March 3, 2015. These Bonds were purchased in their entirety by Western Cooperative Electric Association, Inc. at their par value with no interest due on these Bonds pursuant to a Rural Economic Development Loan and Grant Program. The proceeds were used to purchase a new 64 slice CT scanner. The Bonds are payable in annual installments of \$37,500 through March 3, 2025.

***Revenue Bonds Payable – Series 2015-C***

The Series 2015-C revenue bonds payable consist of Health Facilities Revenue Bonds (Bonds) in the original amount of \$150,280 dated November 17, 2015. These Bonds were purchased in their entirety by Western Cooperative Electric Association, Inc. at their par value with no interest due on these Bonds pursuant to a Rural Economic Development Loan and Grant Program. The proceeds were used to finance lab equipment. The Bonds are payable in annual installments of \$15,028 through March 3, 2025.

The debt service requirements for the series 2015 revenue bonds as of December 31, 2021, are as follows:

<b>Year Ending December 31,</b>	<b>Total to be Paid</b>	<b>Principal</b>	<b>Interest</b>
2022	\$ 86,128	\$ 86,128	\$ -
2023	86,128	86,128	-
2024	86,128	86,128	-
2025	72,528	72,528	-
	<u>\$ 330,912</u>	<u>\$ 330,912</u>	<u>\$ -</u>

***Revenue Bonds Payable – Series 2019-A***

The Series 2019-A revenue bonds payable consist of Health Facilities Revenue Bonds (Bonds) in the original amount of \$68,000 dated May 7, 2019. These Bonds were purchased in their entirety by Western Cooperative Electric Association, Inc. at their par value with no interest due on these Bonds pursuant to a Rural Economic Development Loan and Grant Program. The proceeds were used to finance a portion of the purchase of telemetry system equipment. The Bonds are payable in annual installments of \$13,600 through May 7, 2024.

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**Revenue Bonds Payable – Series 2019-B**

The Series 2019-B revenue bonds payable consist of Health Facilities Revenue Bonds (Bonds) in the original amount of \$2,250,000 dated June 6, 2019. These Bonds were purchased by Equity Bank, First State Bank, Peoples State Bank and The Bank at \$562,500 each at their par value with 3.25% interest due on these Bonds. Interest payments are due on the first day of June and December starting with the first interest payment on December 1, 2019. The 2019B Bonds are due and payable on June 1, 2021. Due to delays caused by COVID-19, the bonds were extended and are now due April 30, 2022. The proceeds will be used to remodel the acute rooms at the Hospital. The 2019B Bonds provide temporary financing through the construction period and the United States Department of Agriculture (USDA) will provide the permanent financing through a direct loan as part of their Rural Development Program. The 2019B Bonds are secured by the net revenues of the Hospital.

**Notes Payable**

The Hospital entered into a loan agreement with Prairie Land Electric Cooperative, Inc. in 2017 for the purpose of purchasing equipment to perform endoscopic and colonoscopy procedures. Annual payments of \$11,714, which includes interest at 1.00%, begin in March 2018 and will continue through March 2027.

The Hospital entered into a loan agreement with Western Cooperative Electric Association, Inc. in 2018 for the purpose of purchasing digital imaging mobile x-ray equipment. Annual payments of \$11,600, which includes interest at 0%, begin in May 2019 and will continue through May 2028.

The debt service requirements for the notes payable as of December 31, 2021, are as follows:

<b>Year Ending December 31,</b>	<b>Total to be Paid</b>	<b>Principal</b>	<b>Interest</b>
2022	\$ 23,314	\$ 22,635	\$ 679
2023	23,314	22,745	569
2024	23,314	22,857	457
2025	23,314	22,969	345
2026	23,314	23,084	230
2027-2028	<u>34,914</u>	<u>34,797</u>	<u>117</u>
	<u>\$ 151,484</u>	<u>\$ 149,087</u>	<u>\$ 2,397</u>

**Sheridan County Health Complex**  
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**Note 6: Professional Liability Coverage and Claims**

The Hospital purchases medical malpractice insurance under a claims-made policy with a fixed premium which provides \$200,000 of coverage for each medical incident and \$600,000 of aggregate coverage for each policy year. 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 \$800,000 of claims-made coverage for each medical incident and \$2,400,000 of aggregate coverage for each policy year.

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

**Note 7: Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses included in current liabilities at December 31 consisted of:

	<b>2021</b>	<b>2020</b>
Payable to suppliers and contractors	\$ 605,993	\$ 296,482
Payable to employees (including payroll taxes and benefits)	<u>716,654</u>	<u>757,427</u>
	<u><u>\$ 1,322,647</u></u>	<u><u>\$ 1,053,909</u></u>

**Note 8: 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 critical access hospital (CAH) and is paid at one hundred one percent (101%) of allowable costs for certain inpatient and outpatient services. The Hospital is reimbursed for certain services and cost reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor.

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*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. The Hospital is reimbursed at tentative rates with final settlements determined after submission of annual cost reports by the Hospital and reviews thereof by the Kansas Department of Health and Environment.

Services rendered for long-term care facility residents are reimbursed under a cost-based prospective rate methodology. The Hospital is reimbursed at a prospective rate with annual cost reports submitted to the Medicaid program. Rates are adjusted July 1 and January 1 using an average of the three previously filed annual cost reports and changes in the Medicaid resident case mix. The Medicaid cost reports are subject to audit by the State and adjustments to rates can be made retroactively.

Approximately 64% and 62% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2021 and 2020, 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 9: Pension Plan**

The Hospital contributes to a defined contribution pension plan covering substantially all employees. Pension expense is recorded for the amount of the Hospital's required contributions, determined in accordance with the terms of the plan. The plan is administered by a board of trustees appointed by the Sheridan County Health Complex Board. The plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the Hospital's governing body. Contribution rates for plan members and the Hospital expressed as a percentage of covered payroll were 2.77% and 3.75% for 2021 and 2.49% and 2.32% for 2020, respectively. Contributions actually made by plan members and the Hospital aggregated \$217,967 and \$294,504 during 2021 and \$188,227 and \$175,353 during 2020, respectively. The Hospital does not control the plan assets.

The Hospital provides one additional defined contribution plan (457 plan), which only covers physicians. Contributions are only allowed to be made by the Hospital and aggregated approximately \$25,977 and \$10,741 during 2021 and 2020, respectively. The Hospital does not control the plan assets.

**Sheridan County Health Complex**  
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**Notes to Financial Statements**  
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**Note 10: Contingencies**

***Litigation***

In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

**Note 11: COVID-19 Pandemic & CARES Act Funding**

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

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

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

The extent of the COVID-19 pandemic's adverse effect on the Hospital's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Hospital's control and ability to forecast. Such factors include, but are not limited to, the scope and duration of stay-at-home practices and business closures and restrictions, government-imposed or recommended suspensions of elective procedures, continued declines in patient volumes for an indeterminable length of time, increases in the number of uninsured and underinsured patients as a result of higher sustained rates of unemployment, incremental expenses required for supplies and personal protective equipment, and changes in professional and general liability exposure.

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

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***Provider Relief Fund***

During the years ended December 31, 2021 and 2020, the Hospital received \$244,785 and \$4,231,828 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, 2021 and 2020, the Hospital recognized \$2,534,848 and \$448,681, respectively, related to the Provider Relief Fund, and these payments are recorded as Provider Relief Funds (*CARES Act*), classified as nonoperating revenues in the accompanying statements of revenues, expenses and changes in net position. The Hospital paid back \$1,260,579 and \$0 of Provider Relief Funds for the years ended December 31, 2021 and 2020, respectively. The unrecognized amount of Provider Relief Fund distributions of \$244,788 and \$3,783,146 is recorded as a component of unearned revenue in the accompanying balance sheets at December 31, 2021 and 2020, respectively.

The Hospital will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Hospital's revenues and expenses. The terms and conditions governing the Provider Relief Funds are complex and subject to interpretation and change. If the Hospital is unable to attest to or comply with current or future terms and conditions the Hospital's ability to retain some or all of the distributions received may be affected. The Provider Relief Funds are subject to government oversight, including potential audits.

***Medicare Accelerated and Advanced Payment Program***

During 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%.



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**December 31, 2021 and 2020**

During 2020, the Hospital received \$2,168,140 from these accelerated Medicare payment requests. During the year ended December 31, 2021, Medicare applied \$811,528 from these accelerated Medicare payment requests against filed claims. The unapplied amount of accelerated Medicare payment requests is recorded under the caption advance from Medicare in the accompanying balance sheets and classified as a current and a long-term liability based upon payback provisions in effect at December 31, 2021 and 2020, respectively.

***Paycheck Protection Program (PPP) Loan***

During 2020, the Hospital received a PPP loan of \$1,448,500 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 November 23, 2020, 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***

On April 16, 2020, Kansas Governor Laura Kelly announced a special emergency grant funding program for Kansas hospitals. This emergency funding was requested by the Kansas Hospital Association (KHA) on behalf of Kansas hospitals and was distributed to help offset current financial strains caused by the COVID-19 pandemic. To facilitate the timely release of funds, hospitals were not required to complete an application. There are no specific requirements tied to utilization of the funds. The intent is for the grant payments to serve as a bridge to aid hospitals in meeting their basic operational expenditures. The Hospital received and recognized \$100,000 on April 24, 2020, related to this special emergency grant. The payment is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

During 2020 the Hospital also applied for and received and recognized a \$75,000 grant from the Kansas Health Foundation to help offset the impacts of COVID-19. The payment is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

During 2021 and 2020, the Hospital received and recognized \$345,498 and \$360,684, respectively, related to additional awards from its Consolidated Health Centers Program grant that were to be used specifically towards COVID-19. The payment is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

**Sheridan County Health Complex**  
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**December 31, 2021 and 2020**

***Strengthening People and Revitalizing Kansas (SPARK) Program Funding***

During 2021 and 2020, the Hospital received \$71,635 and \$74,860 of funding through the SPARK program. The Hospital recognized \$16,506 and \$74,860, related to this funding at December 31, 2021 and 2020, respectively, and these payments are recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position. The unrecognized amount of SPARK distributions of \$55,129 and \$0 is recorded as a component of unearned revenue in the accompanying balance sheets at December 31, 2021 and 2020, respectively.

**Note 12: Subsequent Events**

On March 28, 2022, the Hospital closed on the permanent financing related to the acute wing remodel. Series 2022-A bonds (Hospital Revenue Bonds) in the amount of \$2,250,000 were issued and used to pay off the 2019 bonds. The bonds have an interest rate of 2.125% and are payable annually through March 2052.

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 13: Future Change in Accounting Principle**

***Leases***

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* (GASB 87) provides a new framework for accounting for leases under the principle that leases are financings. No longer will leases be classified between capital and operating. Lessees will recognize an intangible asset and a corresponding liability. The liability will be based on the payments expected to be paid over the lease term, which includes an evaluation of the likelihood of exercising renewal or termination options in the lease. Lessors will recognize a lease receivable and related deferred inflow of resources. Lessors will not derecognize the underlying asset. An exception to the general model is provided for short-term leases that cannot last more than 12 months. Contracts that contain lease and nonlease components will need to be separated so each component is accounted for accordingly.

**Sheridan County Health Complex**  
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In response to the challenges arising from COVID-19, on May 7, 2020, GASB approved Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. While the proposal included an extra year to implement all guidance, GASB, in a unanimous vote, approved an 18-month postponement for GASB 87. All statements and implementation guides with a current effective date of reporting periods beginning after June 15, 2018, and later will have a one-year postponement. This change is effective immediately. GASB 87 is effective for financial statements for fiscal years beginning after June 15, 2021. Earlier application is permitted. Governments will be allowed to transition using the facts and circumstances in place at the time of adoption, rather than retroactive to the time each lease was begun. The Hospital is evaluating the impact the statement will have on the financial statements.

## **Supplementary Information**

**Sheridan County Health Complex**  
**A Component Unit of Sheridan County, Kansas**  
**Net Patient Service Revenue**  
**Years Ended December 31, 2021 and 2020**

	<b>2021</b>		
	<b>Inpatient</b>	<b>Outpatient</b>	<b>Total</b>
<b>Nursing, Dietary and Room Services</b>			
Acute hospital	\$ 525,598	\$ 347,325	\$ 872,923
Swing-bed and night care	632,647	-	632,647
Long-term care	2,111,788	-	2,111,788
Assisted living	76,068	-	76,068
	<u>3,346,101</u>	<u>347,325</u>	<u>3,693,426</u>
Operating room	36,872	115,363	152,235
Anesthesiology	-	33,891	33,891
Radiology	159,699	1,177,976	1,337,675
Laboratory	305,569	1,449,041	1,754,610
Physical therapy	56,023	378,661	434,684
Occupational therapy	17,158	55,067	72,225
Speech therapy	975	10,366	11,341
Respiratory therapy	83,716	23,916	107,632
Electrocardiology	67,089	348,691	415,780
Central supply	97,543	107,439	204,982
Pharmacy	1,225,245	2,200,418	3,425,663
Clinic	-	196,036	196,036
Emergency room	17,419	717,645	735,064
Treatment room	6,095	169,927	176,022
Dietary	-	21,169	21,169
FQHC	-	2,123,496	2,123,496
Lifeline	-	5,275	5,275
Dental Outreach	-	-	-
	<u>\$ 5,419,504</u>	<u>\$ 9,481,702</u>	<u>14,901,206</u>
<b>Contractual Allowance</b>			(4,193,355)
<b>Provision for Uncollectible Accounts</b>			<u>(290,755)</u>
<b>Net Patient Service Revenue</b>			<u><u>\$ 10,417,096</u></u>

<b>2020</b>		
<b>Inpatient</b>	<b>Outpatient</b>	<b>Total</b>
\$ 642,149	\$ 280,538	\$ 922,687
825,809	-	825,809
2,299,092	-	2,299,092
105,458	-	105,458
<u>3,872,508</u>	<u>280,538</u>	<u>4,153,046</u>
45,755	120,864	166,619
-	29,012	29,012
129,772	926,493	1,056,265
339,913	1,247,700	1,587,613
78,122	263,299	341,421
28,519	10,104	38,623
1,255	1,023	2,278
-	-	-
42,854	288,578	331,432
110,294	85,771	196,065
1,280,911	1,688,493	2,969,404
-	173,984	173,984
13,698	575,394	589,092
1,308	118,699	120,007
-	25,848	25,848
-	1,803,730	1,803,730
-	6,520	6,520
-	2,649	2,649
<u>\$ 5,944,909</u>	<u>\$ 7,648,699</u>	13,593,608
		(3,280,284)
		<u>(231,603)</u>
		<u>\$ 10,081,721</u>

**Sheridan County Health Complex**  
**A Component Unit of Sheridan County, Kansas**  
**Contractual Allowances and Other Operating Revenues**  
**Years Ended December 31, 2021 and 2020**

**Contractual Allowances**

	<u>2021</u>	<u>2020</u>
Medicare	\$ 2,688,040	\$ 2,224,097
Medicaid	90,739	18,956
Blue Cross	773,967	555,153
Commercial	362,115	258,457
Charity	172,610	154,488
Other	<u>105,884</u>	<u>69,133</u>
	<u><u>\$ 4,193,355</u></u>	<u><u>\$ 3,280,284</u></u>

**Other Operating Revenues**

	<u>2021</u>	<u>2020</u>
Cafeteria sales	\$ 53,974	\$ 53,609
340B drug savings program revenue	357,344	365,718
Other	<u>58,118</u>	<u>45,785</u>
	<u><u>\$ 469,436</u></u>	<u><u>\$ 465,112</u></u>

**Sheridan County Health Complex**  
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**Operating Expenses**  
**Years Ended December 31, 2021 and 2020**

	2021		
	Salaries	Other	Total
Nursing service	\$ 888,542	\$ 860,584	\$ 1,749,126
Long-term care	1,477,361	621,559	2,098,920
Assisted living	-	1,450	1,450
Operating room	26,484	43,728	70,212
Anesthesia	-	33,555	33,555
Radiology	335,137	343,677	678,814
Laboratory	121,850	774,626	896,476
Physical therapy	123,703	58,997	182,700
Occupational therapy	-	50,038	50,038
Speech therapy	-	13,802	13,802
Respiratory therapy	55,329	36,602	91,931
Electrocardiology	-	502	502
Central supply	-	39,341	39,341
Pharmacy	150,686	396,450	547,136
Clinic	115,953	47,656	163,609
Emergency room	384,035	320,705	704,740
Treatment room	97,686	4,528	102,214
FQHC	1,966,941	726,268	2,693,209
Public Health	23,474	22,615	46,089
Depreciation - building and fixed equipment	-	63,728	63,728
Employee benefits	-	1,856,804	1,856,804
Purchasing	65,437	7,436	72,873
Business office	272,596	104,147	376,743
Administrative and general	603,896	535,066	1,138,962
Plant operation and maintenance	206,070	189,026	395,096
Laundry and linen	64,937	11,905	76,842
Housekeeping	78,642	23,926	102,568
Dietary	452,878	202,181	655,059
Nursing administration	172,950	8,047	180,997
Medical records	97,174	88,367	185,541
Social service	22,377	897	23,274
Activities	55,803	7,627	63,430
Wellness Center	-	823	823
Dental Outreach	-	-	-
	<u>\$ 7,859,941</u>	<u>\$ 7,496,663</u>	<u>\$ 15,356,604</u>



<b>2020</b>		
<b>Salaries</b>	<b>Other</b>	<b>Total</b>
\$ 936,509	\$ 373,979	\$ 1,310,488
1,406,865	299,536	1,706,401
-	5,514	5,514
17,245	69,303	86,548
-	23,195	23,195
318,756	317,518	636,274
115,984	662,299	778,283
115,982	62,554	178,536
-	30,809	30,809
-	2,620	2,620
-	-	-
-	445	445
-	57,142	57,142
151,731	434,689	586,420
92,142	48,564	140,706
286,306	345,188	631,494
108,180	1,543	109,723
1,810,534	844,914	2,655,448
-	-	-
-	64,107	64,107
-	1,880,874	1,880,874
66,039	16,536	82,575
260,484	49,898	310,382
654,188	523,826	1,178,014
202,177	198,350	400,527
60,370	11,180	71,550
103,741	27,323	131,064
432,556	211,705	644,261
187,374	2,881	190,255
140,523	51,406	191,929
40,724	2,681	43,405
59,463	6,341	65,804
-	3,113	3,113
-	39,730	39,730
<u>\$ 7,567,873</u>	<u>\$ 6,669,763</u>	<u>\$ 14,237,636</u>

**Sheridan County Health Complex**  
**A Component Unit of Sheridan County, Kansas**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2021**

<b>Federal Grantor/Pass-through Grantor/Program or Cluster Title</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-through Entity Identifying Number</b>	<b>Passed Through to Subrecipients</b>	<b>Total Federal Expenditures</b>
U.S. Department of Health and Human Services/Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care), Health Center Program Cluster	93.224		\$ -	\$ 306,500
U.S. Department of Health and Human Services/COVID-19 - Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care), Health Center Program Cluster	93.224		-	345,498
Total for CFDA 93.224			-	651,998
U.S. Department of Health and Human Services/Grants for New and Expanded Services under the Health Center Program, Health Center Program Cluster	93.527		-	810,822
Total Health Center Program Cluster			-	1,462,820
U.S. Department of Health and Human Services/Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement	93.912		-	261,767
U.S. Department of Health and Human Services/COVID-19 - Provider Relief Fund	93.498		-	2,983,529
U.S. Department of Health and Human Services/Kansas Department of Health and Environment/Small Rural Hospital Improvement Program	93.301	None	-	10,381

**Sheridan County Health Complex**  
**A Component Unit of Sheridan County, Kansas**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended December 31, 2021**

<b>Federal Grantor/Pass-through Grantor/Program or Cluster Title</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-through Entity Identifying Number</b>	<b>Passed Through to Subrecipients</b>	<b>Total Federal Expenditures</b>
U.S. Department of Agriculture/Community Facilities Loans and Grants Cluster	10.766		\$ -	\$ 1,548,540
U.S. Department of the Treasury/ Kansas Department of Aging and Disability Services/ COVID-19 - Coronavirus State and Local Fiscal Recovery Fund	21.027	None	-	16,506
			<u>\$ -</u>	<u>\$ 6,283,543</u>

**Sheridan County Health Complex**  
**A Component Unit of Sheridan County, Kansas**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2021**

**Notes to Schedule:**

1. The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal awards activity of Sheridan County Health Complex under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Sheridan County Health Complex, it is not intended to and does not present the financial position, changes in net position or cash flows of Sheridan County Health Complex.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Hospital has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. Sheridan County Health Complex issued the 2019B Bonds to fund the Acute wing remodel project. The 2019B Bonds provide temporary financing through the construction period and the United States Department of Agriculture (USDA) will provide the permanent financing through a direct loan, which is to not to exceed \$2,250,000, as part of their Rural Development Program. The balance outstanding at December 31, 2021, of the 2019B Bonds, is \$2,250,000, as reported in Sheridan County Health Complex's balance sheet. Loans outstanding at the beginning of the year were \$2,250,000. Due to COVID-19 the project was delayed and expenditures incurred and paid from the 2019B Bonds funds as of December 31, 2021, was \$1,548,540.
4. Sheridan County Health Complex did not receive any donated Personal Protective Equipment (PPE) during the year ended December 31, 2021, (Unaudited).



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**Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of the Financial Statements  
Performed in Accordance with *Government Auditing Standards***

**Independent Auditor's Report**

Board of Trustees  
Sheridan County Health Complex  
Hoxie, Kansas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Kansas Municipal Audit and Accounting Guide*, the financial statements of Sheridan County Health Complex (Hospital), a component unit of Sheridan County, Kansas, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated July 22, 2022.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Hospital's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Trustees  
Sheridan County Health Complex  
(Continued)

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**FORVIS,LLP**

Wichita, Kansas  
July 22, 2022



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## **Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance**

### **Independent Auditor's Report**

Board of Trustees  
Sheridan County Health Complex  
Hoxie, Kansas

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited Sheridan County Health Complex's (Hospital) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Sheridan County Health Complex's major federal programs for the year ended December 31, 2021. The Hospital's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Sheridan County Health Complex complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of Sheridan County Health Complex and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Sheridan County Health Complex's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Sheridan County Health Complex's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Sheridan County Health Complex's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Sheridan County Health Complex's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Sheridan County Health Complex's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Sheridan County Health Complex's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Sheridan County Health Complex's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



## Report on Internal Control Over Compliance

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the “Auditor’s Responsibilities for the Audit of Compliance” section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**FORVIS,LLP**

Wichita, Kansas  
July 22, 2022

**Sheridan County Health Complex**  
**A Component Unit of Sheridan County, Kansas**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2021**

***Summary of Auditor's Results***

*Financial Statement*

1. The type of report the auditor issued on whether the financial statement audited was prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:  
☒ Unmodified      ☐ Qualified      ☐ Adverse      ☐ Disclaimer
  
2. The independent auditor's report on internal control over financial reporting disclosed:  
Significant deficiency(ies)      ☐ Yes      ☒ None reported  
Material weakness(es)?      ☐ Yes      ☒ No
  
3. Noncompliance considered material to the financial statements was disclosed by the audit?      ☐ Yes      ☒ No

*Federal Awards*

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:  
Significant deficiency(ies)      ☐ Yes      ☒ None reported  
Material weakness(es)?      ☐ Yes      ☒ No
  
5. The opinion expressed in the independent auditor's report on compliance for major federal awards was:  
☒ Unmodified      ☐ Qualified      ☐ Adverse      ☐ Disclaimer
  
6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)?      ☐ Yes      ☒ No

**Sheridan County Health Complex**  
**A Component Unit of Sheridan County, Kansas**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2021**

7. The Hospital's major program was:

<b>Cluster/Program</b>	<b>Assistance Listing Number</b>
Health Center Program Cluster	93.224 and 93.527
COVID-19 – Provider Relief Fund	93.948
Community Facilities Guaranteed Loan Program	10.766

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.

9. The Hospital qualified as a low-risk auditee? ☒ Yes ☐ No

**Findings Required to be Reported by *Government Auditing Standards***

<b>Reference Number</b>	<b>Finding</b>	<b>Questioned Costs</b>
	No matters are reportable.	

**Findings Required to be Reported by the Uniform Guidance**

<b>Reference Number</b>	<b>Finding</b>	<b>Questioned Costs</b>
	No matters are reportable.	

**Sheridan County Health Complex**  
**A Component Unit of Sheridan County, Kansas**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended December 31, 2021**

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
	No matters are reportable.	