Greeley County Hospital
a Component Unit of Greeley County, Kansas

Basic Financial Statements and
Independent Auditors' Reports

December 31, 2022 and 2021

DZA
DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

Greeley County Hospital
a Component Unit of Greeley County, Kansas
Table of Contents

	Page
INDEPENDENT AUDITORS' REPORT	1-3
BASIC FINANCIAL STATEMENTS:	
Statements of net position	4
Statements of revenues, expenses, and changes in net position	5
Statements of cash flows	6-7
Notes to basic financial statements	8-20
SINGLE AUDIT:	
AUDITORS' SECTION:	
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*	21-22
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	23-25
Schedule of findings and questioned costs	26-27
AUDITEES' SECTION:	
Schedule of expenditures of federal awards	28
Summary schedule of prior audit findings	29

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Greeley County Hospital
a Component Unit of Greeley County, Kansas
Tribune, Kansas

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 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), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of the Kansas Municipal Audit and Accounting Guide. Our responsibilities under those standards are further described in the Auditors' 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial information of the Hospital and do not purport to, and do not, present fairly the financial position of Greeley County, Kansas, as of December 31, 2022 and 2021, or the changes in its financial position or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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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 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.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 April 3, 2023, 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 for the year ended December 31, 2022. We issued a similar report for the year ended December 31, 2021, dated March 14, 2022, which has not been included with the 2022 financial compliance report. The purpose of those reports is solely 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 the Hospital's internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hospital's internal control over financial reporting and compliance.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
April 3, 2023

Greeley County Hospital
a Component Unit of Greeley County, Kansas
Statements of Net Position
December 31, 2022 and 2021

ASSETS		**2022**		**2021**
Current assets				
Cash and cash equivalents	**$**	**7,127,401**	$	8,836,978
Receivables:				
Estimated third-party payor settlements		**750,000**		-
Patient accounts		**2,217,885**		2,198,143
Grants		**112,176**		61,535
Other		**83,999**		81,978
Inventories		**167,284**		132,989
Prepaid expenses		**242,900**		230,342
Total current assets		**10,701,645**		11,541,965
Noncurrent assets				
Capital assets, net		**13,974,055**		15,211,956
Total assets	**$**	**24,675,700**	$	26,753,921
LIABILITIES AND NET POSITION				
Current liabilities				
Accounts payable	**$**	**370,353**	$	309,362
Accrued compensation and related liabilities		**1,138,776**		1,136,977
Estimated third-party payor settlements		**-**		300,000
Unearned CARES Act Provider Relief Fund		**-**		559,259
Current maturities of Greeley County bond contribution		**718,722**		732,435
Total current liabilities		**2,227,851**		3,038,033
Noncurrent liabilities				
Greeley County bond contribution, less current maturities		**7,261,720**		7,980,442
Total liabilities		**9,489,571**		11,018,475
Net position				
Net investment in capital assets		**5,993,613**		6,499,079
Unrestricted		**9,192,516**		9,236,367
Total net position		**15,186,129**		15,735,446
Total liabilities and net position	**$**	**24,675,700**	$	26,753,921

See accompanying notes to basic financial statements.

Greeley County Hospital
a Component Unit of Greeley 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	**$ 11,787,721**	$ 12,072,740
Grants	**333,421**	177,958
Other	**570,640**	755,342
Total operating revenues	**12,691,782**	13,006,040
Operating expenses		
Salaries and wages	**7,013,709**	6,644,493
Employee benefits	**1,614,557**	1,663,653
Professional fees and other purchased services	**2,149,853**	1,362,138
Supplies	**1,526,299**	1,490,215
Repairs and maintenance	**584,907**	542,023
Depreciation	**1,381,396**	1,351,749
Utilities	**305,064**	290,834
Insurance	**120,007**	111,617
Leases and rentals	**33,838**	49,812
Other	**371,679**	414,626
Total operating expenses	**15,101,309**	13,921,160
Operating loss	**(2,409,527)**	(915,120)
Nonoperating revenues		
Intergovernmental revenue	**870,358**	895,988
COVID-19 grants	**281,963**	179,738
CARES Act Provider Relief Fund	**559,259**	3,844,970
Interest income	**128,754**	20,771
Contributions	**19,876**	31,098
Total nonoperating revenues	**1,860,210**	4,972,565
Excess of revenues over (under) expenses before capital grants and contributions	**(549,317)**	4,057,445
Greeley County capital contributions	**-**	226,376
Capital grants	**-**	73,916
Total capital grants and contributions	**-**	300,292
Change in net position	**(549,317)**	4,357,737
Net position, beginning of year	**15,735,446**	11,377,709
Net position, end of year	**$ 15,186,129**	$ 15,735,446

See accompanying notes to basic financial statements.

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

	2022	2021
Increase (Decrease) in Cash and Cash Equivalents		
Cash flows from operating activities		
Receipts from and on behalf of patients	**$ 10,717,979**	$ 11,116,496
Cash received from grants	**282,780**	116,423
Other receipts	**568,619**	756,224
Payments to and on behalf of employees	**(8,626,467)**	(8,264,142)
Payments to suppliers and contractors	**(5,077,509)**	(4,223,685)
Net cash from operating activities	**(2,134,598)**	(498,684)
Cash flows from noncapital financing activities		
Intergovernmental revenue	**870,358**	895,988
Cash received from contributions	**19,876**	31,098
Proceeds from CARES Act Provider Relief Fund	**-**	561,209
Proceeds from COVID-19 grant revenue	**281,963**	179,738
Net cash from noncapital financing activities	**1,172,197**	1,668,033
Cash flows from capital and related financing activities		
Payments for Greeley County bond contribution	**(732,435)**	(745,598)
Purchase of capital assets	**(143,495)**	(569,203)
Capital grants received	**-**	73,916
Greeley County capital contributions	**-**	226,376
Net cash from capital and related financing activities	**(875,930)**	(1,014,509)
Cash flows from investing activities		
Interest income received	**128,754**	20,771
Net change in cash and cash equivalents	**(1,709,577)**	175,611
Cash and cash equivalents, beginning of year	**8,836,978**	8,661,367
Cash and cash equivalents, end of year	**$ 7,127,401**	$ 8,836,978

See accompanying notes to basic financial statements.

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

	2022	2021
Reconciliation of Operating Loss to Net Cash From Operating Activities		
Operating loss	**$ (2,409,527)**	$ (915,120)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation	**1,381,396**	1,351,749
Provision for bad debts	**195,060**	257,926
(Increase) decrease in assets:		
Receivables:		
Patient accounts	**(214,802)**	(1,114,170)
Estimated third-party payor settlements	**(750,000)**	-
Grants	**(50,641)**	(61,535)
Other	**(2,021)**	882
Inventories	**(34,295)**	6,079
Prepaid expenses	**(12,558)**	(29,900)
Increase (decrease) in liabilities:		
Accounts payable	**60,991**	61,401
Accrued compensation and related liabilities	**1,799**	44,004
Estimated third-party payor settlements	**(300,000)**	(100,000)
Net cash from operating activities	**$ (2,134,598)**	$ (498,684)

See accompanying notes to basic financial statements.

1. Reporting Entity and Summary of Significant Accounting Policies:

a. Reporting Entity

Greeley County Hospital (the Hospital) is an acute care hospital located in Tribune, Kansas. The Hospital is a component unit of Greeley County (County) and the Board of County Commissioners appoints members to the Board of Trustees of the Hospital. The Hospital provides inpatient, outpatient, emergency care, residential long-term care services, and primary care to patients in the Greeley and Wallace Counties area.

On January 1, 2006, the Board of Trustees of Greeley County Hospital (Lessor) organized Greeley County Health Services, Inc. (Lessee) (GCHS) as a Section 501(c)(3) organization for the purpose of assuming custody of certain assets and liabilities related to hospital operations and operate the Hospital as of January 1, 2006, pursuant to a lease agreement ending December 31, 2011. Board members of the Lessor act as the Board of Trustees for the Lessee. At the conclusion of the lease, the Lessee has the right to extend the term of the lease for two (2) additional periods of five (5) years each, beyond the expiration of the initial term. Rent expense under this lease is $1 paid at the beginning of the lease term. The Lessee has exercised the right to extend the lease through December 31, 2023.

As required by accounting principles generally accepted in the United States of America, these financial statements include the Hospital and its component unit, GCHS. Although GCHS is legally separate from the Hospital, GCHS is reported as if it were part of the Hospital because the Hospital's Board of Trustees also serves as its governing body. GCHS is considered a component unit of the Hospital and is included in the financial statements of the Hospital using the blended method. All significant intercompany accounts and transactions have been eliminated. Separate financial statements for GCHS are not available.

b. Summary of Significant Accounting Policies

Use of estimates – The preparation of basic 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 disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Enterprise fund accounting – The Hospital's accounting policies conform to accounting principles generally accepted in the United States of America as applicable to proprietary funds of governments. The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

Cash and cash equivalents – Cash and cash equivalents include investments in highly-liquid debt instruments with an original maturity of three months or less.

Inventories – Inventories are stated at cost on the first-in, first-out method. Inventories consist of pharmaceutical, medical-surgical, and other supplies used in the operation of the Hospital.

Prepaid expenses – Prepaid expenses are expenses paid during the year relating to expenses incurred in future periods. Prepaid expenses are amortized over the expected benefit period of the related expense.

1. Reporting Entity and Summary of Significant Accounting Policies (continued):

b. Summary of Significant Accounting Policies (continued)

Compensated absences – Hospital policies permit most employees to accumulate vacation, holiday, 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 benefits and are earned whether the employee is expected to realize the benefit as time off or in cash. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of net position plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Net position – Net position of the Hospital is classified into three components. *Net investment in capital assets* consists of the Hospital's capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* is noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital. *Unrestricted net position* is composed of remaining net position that does not meet the definition of *net investment in capital assets.* The Hospital did not have any restricted net position at December 31, 2022 and 2021.

Restricted resources – When the Hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital's policy to use restricted resources before unrestricted resources.

Operating revenues and expenses – The Hospital's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions, including grants for specific operating activities associated with providing healthcare services — the Hospital's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

Grants and contributions – From time to time, the Hospital receives federal and state grants as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses. Grants that are for specific projects, or purposes related to the Hospital's operating activities, are reported as operating revenue. Grants that are used to subsidize operating deficits are reported as nonoperating revenue. Contributions, except for capital contributions, are reported as nonoperating revenue.

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 (IRC) and a similar provision of state law. GCHS is exempt from income taxes under Section 501(c)(3) of the IRC and a similar provision of state law. However, both entities are subject to federal income tax on any unrelated business taxable income. The entities evaluate uncertain tax positions whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of December 31, 2022 and 2021, the Hospital and GCHS had no uncertain tax positions requiring accrual.

1. **Reporting Entity and Summary of Significant Accounting Policies (continued):**

   b. Summary of Significant Accounting Policies (continued)

   ***Change in accounting principle* –** In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*. The objective of this statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases previously classified as operating leases. Under this statement, a lessee is required to recognize a lease liability and an intangible asset representing the lessee's right to use the leased asset, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Hospital adopted Statement No. 87 during the year ended December 31, 2022. The implementation of Statement No. 87 had no effect on the Hospital's financial statements.

   ***Upcoming accounting standards pronouncements* –** In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objectives of this statement are to (1) define a subscription-based information technology arrangement (SBITA); (2) establish that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provide the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) require note disclosures regarding a SBITA. The new guidance is effective for the Hospital's year ending December 31, 2023. Management is currently evaluating the effect this statement will have on the financial statements and related disclosures.

   Subsequent events – The Hospital has evaluated subsequent events through April 3, 2023, the date on which the financial statements were available to be issued.

2. **Bank Deposits:**

   K.S.A. 9-1401 establishes the depositories which may be used by the Hospital. The statute requires banks eligible to hold the Hospital's funds have a main or branch bank in the county in which the hospital is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of Federal Deposit Insurance Corporation coverage. The Hospital has no other policies that would further limit interest rate risk.

   K.S.A. 12-1675 limits the Hospital's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Hospital has no investment policy that would further limit its investment choices.

   Concentration of credit risk – State statutes place no limit on the amount the Hospital may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

2. Bank Deposits (continued):

Custodial credit risk: ***deposits*** – Custodial credit risk is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to it. State statutes require the Hospital's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka.

As of December 31, 2022, the Hospital's carrying amount of deposits was $7,125,038 and the bank balance was $7,406,103. The bank balance was held by four banks resulting in a concentration of credit risk. Of the bank balance, $508,919 was covered by federal depository insurance. The total financial institutions' pledging for collateralization of funds in the Hospital's name was $7,090,378.

Credit risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is typically measured by the assignment of a rating by a nationally recognized statistical rating organization. The Hospital does not have a policy specifically requiring or limiting investments of this type.

3. Patient Accounts Receivable:

Patient accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which include both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The Hospital's allowance for uncollectible accounts for self-pay patients has not changed significantly from the prior year. The Hospital does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant writeoffs from third-party payors.

3. Patient Accounts Receivable (continued):

Patient accounts receivable reported as current assets by the Hospital consisted of these amounts:

		2022		2021
Receivable from patients and their insurance carriers	**$**	**1,792,890**	$	1,559,859
Receivable from Medicare		**918,009**		1,346,062
Receivable from Medicaid		**242,688**		99,057
Total patient accounts receivable		**2,953,587**		3,004,978
Less allowance for uncollectible accounts		**735,702**		806,835
Patient accounts receivable, net	**$**	**2,217,885**	$	2,198,143

4. Capital Assets:

All capital assets, other than land and construction in progress, are being depreciated using the straight-line method over the shorter period of the lease term or the estimated useful life of the capital asset. Expenditures for maintenance and repairs are charged to operations as incurred; betterments and major renewals are capitalized.

Useful lives have been estimated as follows:

Land improvements	5 to 25 years
Buildings and improvements	5 to 40 years
Equipment	3 to 20 years

The Hospital capitalizes assets whose costs exceed $5,000 and an estimated useful life greater than three years. Capital assets are reported at historical cost or their estimated fair value at the date of donation. When such assets are disposed of, the related costs and accumulated depreciation or amortization is removed from the accounts, and the resulting gain or loss is classified in nonoperating revenues or expenses.

4. Capital Assets (continued):

Capital asset additions, retirements, transfers, and balances were as follows:

	Balance December 31, 2021	Additions	Retirements	Transfers	Balance December 31, 2022
Capital assets not being depreciated					
Land	$ 301,707	$ -	$ -	$ -	**$ 301,707**
Construction in progress	3,500	5,420	-	-	**8,920**
Total capital assets not being depreciated	305,207	5,420	-	-	**310,627**
Capital assets being depreciated					
Land improvements	445,281	7,563	-	-	**452,844**
Buildings and improvements	18,156,651	43,068	-	-	**18,199,719**
Equipment	3,692,896	87,444	-	-	**3,780,340**
Total capital assets being depreciated	22,294,828	138,075	-	-	**22,432,903**
Less accumulated depreciation for					
Land improvements	46,350	30,723	-	-	**77,073**
Buildings and improvements	4,872,304	1,125,782	-	-	**5,998,086**
Equipment	2,469,425	224,891	-	-	**2,694,316**
Total accumulated depreciation	7,388,079	1,381,396	-	-	**8,769,475**
Total capital assets being depreciated, net	14,906,749	(1,243,321)	-	-	**13,663,428**
Capital assets, net	**$ 15,211,956**	**$ (1,237,901)**	**$ -**	**$ -**	**$ 13,974,055**

4. Capital Assets (continued):

	Balance December 31, 2020	Additions	Retirements	Transfers	Balance December 31, 2021
Capital assets not being depreciated					
Land	$ 301,707	$ -	$ -	$ -	**$ 301,707**
Construction in progress	-	3,500	-	-	**3,500**
Total capital assets not being depreciated	301,707	3,500	-	-	**305,207**
Capital assets being depreciated					
Land improvements	445,281	-	-	-	**445,281**
Buildings and improvements	18,432,061	291,429	-	(566,839)	**18,156,651**
Equipment	2,883,542	274,274	(31,759)	566,839	**3,692,896**
Total capital assets being depreciated	21,760,884	565,703	(31,759)	-	**22,294,828**
Less accumulated depreciation for					
Land improvements	15,963	30,387	-	-	**46,350**
Buildings and improvements	3,750,209	1,122,095	-	-	**4,872,304**
Equipment	2,301,917	199,267	(31,759)	-	**2,469,425**
Total accumulated depreciation	6,068,089	1,351,749	(31,759)	-	**7,388,079**
Total capital assets being depreciated, net	15,692,795	(786,046)	-	-	**14,906,749**
Capital assets, net	**$ 15,994,502**	**$ (782,546)**	**$ -**	**$ -**	**$ 15,211,956**

5. Greeley County General Obligation Refunding and Improvement Bonds:

Greely County issued The Unified Government of Greeley County, Kansas General Obligation Refunding and Improvement Bonds, Series 2021 (the Bonds) on September 30, 2021. The Bonds' proceeds consisting of the principal amount of $10,025,000 plus a premium of $1,908,682 less costs of issuance and underwriter's discount of $100,250 were used to remodel and expand the Hospital.

Based on accounting principles generally accepted in the United States of America, because the Hospital is a legally separate entity and the County is legally responsible for the bond debt service, the Bonds are not reported as an obligation of the Hospital. The Hospital will make annual contributions to the County for bond debt service, but the County remains the legally responsible entity for the bond debt service.

5. Greeley County General Obligation Refunding and Improvement Bonds (continued):

The scheduled annual payments to Greeley County are as follows:

Years Ending December 31,		
2023	$	718,722
2024		700,071
2025		673,871
2026		655,572
2027		636,917
2028-2032		2,757,789
2033-2037		1,837,500
	$	**7,980,442**

6. Net Patient Service Revenue:

The Hospital recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Hospital records a significant provision for bad debts related to uninsured patients in the period the services are provided. The Hospital's provisions for bad debts and writeoffs have not changed significantly from the prior year. The Hospital has not changed its charity care or uninsured discount policies during 2022 or 2021.

6. Net Patient Service Revenue (continued):

Patient service revenue, net of contractual adjustments and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, follows:

	2022	2021
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	**$ 6,087,430**	$ 6,568,918
Medicaid	**1,613,107**	1,706,931
Other third-party payors	**2,878,418**	2,490,763
Patients	**1,265,095**	1,318,130
340B contract pharmacy	**263,215**	409,359
	12,107,265	12,494,101
Less:		
Charity care	**124,484**	163,435
Provision for bad debts	**195,060**	257,926
Net patient service revenue	**$ 11,787,721**	$ 12,072,740

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

- *Medicare* – The Hospital has been designated a critical access hospital by Medicare and is reimbursed for inpatient and outpatient services and rural health clinic visits on a cost basis as defined and limited by the Medicare program. Physician services outside the rural health clinic are paid on a fee schedule. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor.
- *Medicaid* – Inpatient, outpatient, rural health clinic, and long-term care services are reimbursed using a prospective payment methodology.

The Hospital also has entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, fee schedules, and prospectively determined daily rates.

Laws and regulations governing Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient service revenue increased by approximately $3,000 and $14,000 in the years ended December 31, 2022 and 2021, respectively, due to differences between the original estimates and final settlements.

6. Net Patient Service Revenue (continued):

The Hospital provides charity care to patients who are financially unable to pay for the healthcare services they receive. The Hospital's policy is not to pursue collection of amounts determined to qualify as charity care. Accordingly, the Hospital does not report these amounts in net operating revenues or in the allowance for uncollectible accounts. The Hospital determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries and wages, benefits, supplies, and other operating expenses based on data from its costing system. The costs of caring for charity care patients for the years ended December 31, 2022 and 2021, were approximately $103,000 and $123,000, respectively.

7. Intergovernmental Revenue:

The Hospital receives significant financial support from intergovernmental revenue derived from property taxes levied by the County. These funds were used to support operations of the Hospital.

Property taxes are assessed by the County in November of one year and are received beginning in January of the following year. Intergovernmental revenue is recognized in the year in which use is first permitted.

8. Defined Contribution Plan:

The Hospital sponsors and administers 403(b) and 401(a) defined contribution pension plans. The Greeley County Health Services Inc. Employees Pension Plan (the Plan) is available to all employees who have completed one year of service. Employees that participate are required to contribute a minimum of 4.5 percent of their gross wages. After one year of successful employment, GCHS will begin matching 3 percent of the employee's gross wages for the remainder of their employment. The Plan is administered by the Hospital. 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. Employees are permitted to make contributions up to the applicable IRC limits.

Vesting is based on years of credited services as set forth in the following table. Service prior to the date in which an employee becomes a participant in the Plan does not qualify for vesting purposes. A participant will become 100 percent vested immediately upon early retirement, attainment of normal retirement age, or death.

8. Defined Contribution Plan (continued):

Participant's Years of Service	Vested Percentage
Less than 1	0%
1	20%
2	40%
3	60%
4	80%
5 or more	100%

Employee contributions to the Plan during the years ended December 31, 2022 and 2021, were approximately $354,000 and $340,000, respectively. The Hospital made matching contributions to the Plan of approximately $174,000 and $166,000 for the years ended December 31, 2022 and 2021, respectively.

The Hospital had no material liability to the Plan at December 31, 2022 and 2021.

9. Contingencies:

Medical malpractice claims – The Hospital has professional liability insurance with KAMMCO Casualty Company, Inc. The policy provides protection on a "claims-made" basis whereby only malpractice claims reported to the insurance carrier in the current year are covered by the current policies. If there are unreported incidents which result in a malpractice claim in the current year, such claims would be covered in the year the claim was reported to the insurance carrier only if the Hospital purchased claims-made insurance in that year or the Hospital purchased "tail" insurance to cover claims incurred before but reported to the insurance carrier after cancellation or expiration of a claims-made policy. The malpractice insurance provides $500,000 per claim of primary coverage with an annual aggregate limit of $1,500,000.

The Kansas Health Care Stabilization Fund provides an additional $500,000 of coverage for each medical incident and $1,500,000 of aggregate coverage for each policy year.

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.

9. Contingencies (continued):

Industry regulations – The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditations and government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse statutes, as well as other applicable government laws and regulations.

While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Litigation – The Hospital is also involved in litigation and regulatory investigations arising in the normal course of business. 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 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.

Healthcare self-insurance – The Hospital participates in a self-insured health insurance plan administered by Blue Cross and Blue Shield of Kansas, Inc. The Hospital self-insures the first $30,000 in claims per eligible participant. The Hospital also purchases annual stop-loss insurance coverage for all claims in excess of $30,000 per participant. The calculation of loss coverage is based upon a set dollar amount per covered employee.

10. Concentration of Risk:

Patient accounts receivable – The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The majority of these patients are geographically concentrated in and around Greeley and Wallace Counties.

The mix of receivables from patients was as follows:

	2022	2021
Medicare	**36 %**	49 %
Medicaid	**10**	6
Other third-party payors	**26**	21
Patients	**28**	24
	100 %	100 %

Physicians – The Hospital is dependent on local physicians practicing in its service area to provide admissions and utilize Hospital services on an outpatient basis. A decrease in the number of physicians providing these services or change in their utilization patterns may have an adverse effect on Hospital operations.

11. Related-party Transactions:

Chris Dixon, board member, owns Great Plains Pharmacy. For the years ended December 31, 2022 and 2021, the Hospital purchased approximately $227,000 and $357,000, respectively, of pharmaceuticals through Great Plains Pharmacy.

12. CARES Act Provider Relief Fund:

The Hospital received approximately $-0-, $561,000, and $4,093,000 in 2022, 2021, and 2020, respectively, of funding from the CARES Act Provider Relief Fund. The Hospital received additional grants to assist with expenses related to coronavirus. These funds are required to be used to reimburse the Hospital for healthcare-related expenses and lost revenues that are attributable to coronavirus. The Hospital has recorded these funds as unearned grant revenue until eligible expenses or lost revenues are recognized. During the years ended December 31, 2022 and 2021, the Hospital recognized approximately $559,000 and $3,845,000, respectively.

SINGLE AUDIT

AUDITORS' SECTION

DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Greeley County Hospital
a Component Unit of Greeley County, Kansas
Tribune, Kansas

We have audited, in accordance with the 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, the financial statements of Greeley County Hospital, a component unit of Greeley County, Kansas (the Hospital), which comprise the statement of net position as of December 31, 2022, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 3, 2023.

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) to determine 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 entity'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.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and 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 Hospital'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.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
April 3, 2023

DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Greeley County Hospital
a Component Unit of Greeley County, Kansas
Tribune, Kansas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Greeley County Hospital's, a component unit of Greeley County, Kansas, (the Hospital), compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Hospital's major federal program for the year ended December 31, 2022. The Hospital's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Hospital complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

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; 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Hospital 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 the Hospital'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 the Hospital's federal programs.

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Auditors' 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 the Hospital'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 the Hospital'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 the Hospital'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 the Hospital'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 the Hospital'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 Auditors' 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.

Purpose of this Report

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.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
April 3, 2023

Greeley County Hospital
a Component Unit of Greeley County, Kansas
Schedule of Findings and Questioned Costs
Year Ended December 31, 2022

Section I – Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued:	***Unmodified***			
Internal control over financial reporting:				
• Material weakness(es) identified?	_____	yes	X	no
• Significant deficiency(ies) identified?	_____	yes	X	none reported
Noncompliance material to financial statements noted?	_____	yes	X	no

Federal Awards:

Internal control over major federal program:				
• Material weakness(es) identified?	_____	yes	X	no
• Significant deficiency(ies) identified?	_____	yes	X	none reported
Type of auditors' report issued on compliance for major federal programs	***Unmodified***			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____	yes	X	no

Identification of major federal programs:

Federal Assistance Listing Numbers	*Name of Federal Program or Cluster*
93.498	Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution
93.697	COVID-19 Testing and Mitigation for Rural Health Clinics

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee?	_____	yes	X	no

Greeley County Hospital
a Component Unit of Greeley County, Kansas
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2022

Section II – Financial Statement Findings

There are no matters reported for 2022. Therefore, no corrective action plan is necessary, nor has one been prepared.

Section III – Federal Award Findings and Questioned Costs

No matters were reported for 2022. Therefore, no corrective action plan is necessary, nor has one been prepared.

AUDITEE'S SECTION

Greeley County Hospital
a Component Unit of Greeley County, Kansas
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Additional Award Identification	Total Federal Expenditures
U.S. Department of Health and Human Services Direct Programs:				
Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498		COVID-19	$ 359,295
COVID-19 Testing and Mitigation for Rural Health Clinics	93.697		COVID-19	200,000
Total U.S. Department of Health and Human Services Direct Programs				559,295
U.S. Department of Health and Human Services Pass-through Programs From:				
Kansas Department of Health and Environment				
Small Rural Hospital Improvement Grant Program	93.301	Not Provided	COVID-19	257,367
United Methodist Health Ministry Fund				
Rural Health Outreach and Rural Network Development Program	93.912	Not Provided		130,844
Total U.S. Department of Health and Human Services Pass-through Programs				388,211
Total U.S. Department of Health and Human Services				947,506
Total expenditures of federal awards				**$ 947,506**

See accompanying independent auditors' report and notes to the schedule of expenditures of federal awards.

Notes to the Schedule of Expenditures of Federal Awards

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Hospital under programs of the federal government for the year ended December 31, 2022. Amounts reported on the Schedule for Federal Assistance Listing Number 93.498 – Provider Relief Fund are based upon June 30, 2022 and December 31, 2022, reports. 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 the Hospital, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Hospital.

2. Summary of Significant Accounting Policies:

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 not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Greeley County Hospital
a Component Unit of Greeley County, Kansas
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2022

2021-001 Unapproved Budgeted Revenues Included in Lost Revenue Calculation

Status: Corrected

2021-002 Provider Relief Fund Reporting of Lost Revenue

Status: Corrected