Norton County Hospital

A Component Unit of Norton County, Kansas

Independent Auditor's Report and Financial Statements

June 30, 2022 and 2021



Norton County Hospital
A Component Unit of Norton County, Kansas
June 30, 2022 and 2021

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FORVIS

1551 N. Waterfront Parkway, Suite 300 / Wichita, KS 67206
P 316.265.2811 / **F** 316.265.9405
forvis.com

Independent Auditor's Report

Board of Trustees
Norton County Hospital
Norton, Kansas

Opinion

We have audited the accompanying financial statements of Norton County Hospital (Hospital), a component unit of Norton County, Kansas, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise Norton County Hospital's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Norton County Hospital as of June 30, 2022 and 2021, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the provisions of the Kansas Municipal Audit and Accounting Guide. 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 Norton County Hospital and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Substantial Doubt About the Hospital's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming the Hospital will continue as a going concern. As discussed in *Note 14*, the Hospital has suffered recurring losses from operations, which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in *Note 14*. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Norton County Hospital's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Norton County Hospital's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the pension and other postemployment benefit information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted 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 Norton County Hospital's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the 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 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

FORVIS, LLP

Wichita, Kansas
April 25, 2023

Norton County Hospital
A Component Unit of Norton County, Kansas
Balance Sheets
June 30, 2022 and 2021

Assets and Deferred Outflows of Resources

	2022	2021
Current Assets		
Cash	$ 1,887,808	$ 3,871,881
Short-term certificates of deposit	1,786,256	1,786,256
Patient accounts receivable, net of allowance; 2022 - $1,365,000, 2021 - $566,000	2,255,152	2,587,583
Noncapital appropriations receivable	69,769	75,769
Estimated amounts due from third-party payers	-	118,000
Contract pharmacy receivable	67,036	67,855
Supplies	371,719	337,424
Prepaid expenses	241,059	204,720
Other	17,723	17,577
Total current assets	6,696,522	9,067,065
Noncurrent Certificates of Deposit		
Restricted by donors for capital acquisitions	87,479	87,479
Capital Assets, Net	3,834,993	4,091,569
Other Assets	361,111	336,834
Total assets	10,980,105	13,582,947
Deferred Outflows of Resources		
Pension	2,331,647	1,650,879
Other postemployment benefits	118,861	133,743
Total deferred outflows of resources	2,450,508	1,784,622
Total assets and deferred outflows of resources	$ 13,430,613	$ 15,367,569

See Notes to Financial Statements

Liabilities, Deferred Inflows of Resources and Net Position

	2022	2021
Current Liabilities		
Current maturities of long-term debt	$ 128,449	$ 123,279
Accounts payable	348,026	604,781
Accrued expenses	754,606	740,893
Estimated amounts due to third-party payers	840,000	-
Due to HHS	-	1,895,089
Unearned revenue	510,786	149,462
Total current liabilities	2,581,867	3,513,504
Long-term Debt	482,844	611,293
Net Pension Liability	4,158,496	4,917,319
Total Other Postemployment Benefits Liability	149,620	202,251
Total liabilities	7,372,827	9,244,367
Deferred Inflows of Resources		
Pension	2,119,565	934,557
Other postemployment benefits	73,936	38,802
Total deferred inflows of resources	2,193,501	973,359
Net Position		
Net investment in capital assets	3,223,700	3,356,997
Restricted - expendable for Capital acquisitions	87,479	87,479
Unrestricted	553,106	1,705,367
Total net position	3,864,285	5,149,843
Total liabilities, deferred inflows of resources and net position	$ 13,430,613	$ 15,367,569

Norton County Hospital
A Component Unit of Norton County, Kansas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2022 and 2021

	2022	2021
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2022 - $1,567,086, 2021 - $556,595	$ 13,542,940	$ 12,358,579
Contract pharmacy revenue	1,323,360	1,225,817
Other	157,989	200,121
Total operating revenues	15,024,289	13,784,517
Operating Expenses		
Salaries	7,597,742	7,066,080
Employee benefits	1,492,429	1,529,284
Purchased services and professional fees	3,509,144	3,698,554
Drugs	1,860,990	1,152,719
Medical and surgical supplies	490,010	386,666
Food	94,540	83,261
Utilities	240,166	247,174
Legal and accounting fees	132,785	155,484
Other supplies and expenses	1,215,060	1,521,975
Depreciation	634,501	609,966
Total operating expenses	17,267,367	16,451,163
Operating Loss	(2,243,078)	(2,666,646)
Nonoperating Revenues (Expenses)		
Noncapital appropriations - Norton County	216,000	189,300
Investment income	26,101	42,883
Interest expense	(31,225)	(33,536)
Gain on disposal of capital assets	70,083	250
Noncapital grants and gifts	327,100	196,374
Provider Relief Funds (*CARES Act*)	49,461	1,797,509
Paycheck Protection Program (PPP) loan forgiveness	-	1,246,600
Total nonoperating revenues (expenses)	657,520	3,439,380
Excess (Deficiency) of Revenues Over Expenses Before Capital Grants and Gifts	(1,585,558)	772,734
Capital Grants and Gifts	300,000	-
Increase (Decrease) in Net Position	(1,285,558)	772,734
Net Position, Beginning of Year	5,149,843	4,377,109
Net Position, End of Year	$ 3,864,285	$ 5,149,843

Norton County Hospital
A Component Unit of Norton County, Kansas
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Operating Activities		
Receipts from and on behalf of patients	$ 14,834,190	$ 12,437,366
Payments to suppliers and contractors	(7,893,410)	(7,257,175)
Payments to employees	(9,333,656)	(8,747,589)
Other receipts, net	(52,416)	(271,571)
Net cash used in operating activities	(2,445,292)	(3,838,969)
Noncapital Financing Activities		
Noncapital appropriations - Norton County	222,000	171,500
Noncapital grants and gifts	327,100	196,374
Provider Relief Funds (*CARES Act*)	49,461	1,797,509
Net cash provided by noncapital financing activities	598,561	2,165,383
Capital and Related Financing Activities		
Capital grants and gifts	300,000	-
Principal paid on long-term debt	(123,279)	(118,319)
Interest paid on long-term debt	(32,322)	(31,985)
Proceeds from sale of capital assets	70,083	-
Purchase of capital assets	(377,925)	(874,499)
Net cash used in capital and related financing activities	(163,443)	(1,024,803)
Investing Activities		
Investment income received	26,101	42,883
Purchase of certificates of deposit	(3,859,497)	(3,556,925)
Proceeds from disposition of certificates of deposit	3,859,497	3,538,211
Net cash provided by investing activities	26,101	24,169
Decrease in Cash	(1,984,073)	(2,674,220)
Cash, Beginning of Year	3,871,881	6,546,101
Cash, End of Year	$ 1,887,808	$ 3,871,881

Norton County Hospital
A Component Unit of Norton County, Kansas
Statements of Cash Flows (Continued)
Years Ended June 30, 2022 and 2021

Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (2,243,078)	$ (2,666,646)
Depreciation	634,501	609,966
Changes in operating assets and liabilities		
Patient accounts receivable, net	332,431	(90,529)
Estimated amounts due from and to third-party payers	958,819	169,316
Accounts payable and accrued expenses	(499,143)	115,228
Unearned revenue	361,324	(3,592,598)
Due to HHS	(1,895,089)	1,895,089
Other assets	(95,057)	(278,795)
Net cash used in operating activities	$ (2,445,292)	$ (3,838,969)
Noncash Investing, Capital and Financing Activities		
PPP loan forgiveness	$ -	$ 1,246,600

Norton County Hospital
A Component Unit of Norton County, Kansas
Notes to Financial Statements
June 30, 2022 and 2021

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

Nature of Operations and Reporting Entity

Norton County Hospital (Hospital) is an acute care hospital located in Norton, Kansas. The Hospital is a component unit of Norton County, Kansas (County), and the Board of County Commissioners appoints members to the Board of Trustees of the Hospital. The Hospital primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in the Norton County area.

Basis of Accounting and Presentation

The financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions 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, liabilities and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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.

Investments and Investment Income

Investments consist of nonnegotiable certificates of deposit carried at amortized cost. Investment income includes interest income on cash and certificates of deposit.

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
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. No asset impairment was recognized during the years ended June 30, 2022 and 2021.

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. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as Social Security and Medicare taxes computed using rates in effect at that date.

Due to HHS

Amounts shown as due to Department of Health and Human Services (HHS) are based on evaluation of eligible expenses and lost revenue through Period 1 (January 2020 – June 2021), of the Provider Relief Fund. The Hospital was required to return funds to HHS in December 2021 related to excess funds received during Period 1. See additional comments in *Note 12*.

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 December 7, 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.

Cost-Sharing Defined Benefit Pension Plan

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

Defined Benefit Other Postemployment Benefit Plan

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

Deferred Outflows of Resources

The Hospital reports increases in net position that relate to future periods as deferred outflows of resources in a separate section of its balance sheets.

Deferred Inflows of Resources

The Hospital reports decreases in net position that relate to future periods as deferred inflows of resources in a separate section of its balance sheets.

Net Position

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

- Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.
- Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Hospital, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

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.

Net Patient Service Revenue

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

Charity Care

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

Noncapital Appropriations – Norton County

The Hospital received approximately 1% of its financial support from county appropriations derived from property taxes levied by Norton County in both 2022 and 2021. One hundred percent of these funds were used to support operations.

Provider Relief Funds (CARES Act)

On March 27, 2020, the *CARES Act* was signed into law as part of the government's response to the spread of the SARS-CoV-2 virus and the incidence of COVID-19. The *CARES Act* contained provisions for certain healthcare providers to receive Provider Relief Funds (PRF) from the U.S. Department of Health and Human Services (HHS). The distributions from the Provider Relief Funds are not subject to repayment, provided the Hospital is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by HHS. The Hospital is accounting for such payments as voluntary nonexchange transactions. Payments are recognized as revenue once the applicable terms and conditions required to retain the funds have been met and are classified as nonoperating revenue in the accompanying statements of revenues, expenses and changes in net position. The unrecognized amount of Provider Relief Fund distributions is recorded as unearned revenue or due to HHS 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. The Hospital has obtained 501(c)(3) tax-exempt status with the IRS for the purpose of employees participating in Section 403(b) annuities.

Note 2: Deposits, Investments and Investment Income

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 June 30, 2022 and 2021, respectively, none of the Hospital's bank balances of $4,066,122 and $5,921,837, were exposed to custodial credit risk.

Summary of Carrying Values

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

	2022	2021
Carrying value		
Deposits	$ 3,761,543	$ 5,745,616
Included in the following balance sheet captions		
Cash	$ 1,887,808	$ 3,871,881
Short-term certificates of deposit	1,786,256	1,786,256
Noncurrent certificates of deposit	87,479	87,479
	$ 3,761,543	$ 5,745,616

Investment Income

Investment income for the years ended June 30, 2022 and 2021, consisted entirely of interest income.

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 June 30, 2022 and 2021, consisted of:

	2022	2021
Medicare	$ 1,136,429	$ 963,788
Medicaid	166,457	230,986
Other third-party payers	971,149	1,335,244
Patients	1,346,117	623,565
	3,620,152	3,153,583
Less allowance for uncollectible accounts	(1,365,000)	(566,000)
	$ 2,255,152	$ 2,587,583

Note 4: Capital Assets

Capital assets activity for the years ended June 30, 2022 and 2021, were:

	2022				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 203,657	$ -	$ -	$ -	$ 203,657
Land improvements	308,328	-	-	-	308,328
Buildings	10,198,089	-	(55,000)	-	10,143,089
Equipment	6,416,264	377,925	-	-	6,794,189
	17,126,338	377,925	(55,000)	-	17,449,263
Less accumulated depreciation					
Land improvements	286,621	6,222	-	-	292,843
Buildings	7,584,669	313,382	(55,000)	-	7,843,051
Equipment	5,163,479	314,897	-	-	5,478,376
	13,034,769	634,501	(55,000)	-	13,614,270
Capital assets, net	$ 4,091,569	$ (256,576)	$ -	$ -	$ 3,834,993

	2021				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 203,657	$ -	$ -	$ -	$ 203,657
Land improvements	308,328	-	-	-	308,328
Buildings	10,198,089	-	-	-	10,198,089
Equipment	5,686,655	874,499	(144,890)	-	6,416,264
	16,396,729	874,499	(144,890)	-	17,126,338
Less accumulated depreciation					
Land improvements	275,878	10,743	-	-	286,621
Buildings	7,266,565	318,104	-	-	7,584,669
Equipment	5,027,500	281,119	(145,140)	-	5,163,479
	12,569,943	609,966	(145,140)	-	13,034,769
Capital assets, net	$ 3,826,786	$ 264,533	$ 250	$ -	$ 4,091,569

Note 5: Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses included in current liabilities at June 30, 2022 and 2021, consisted of:

	2022	2021
Payable to suppliers and contractors	$ 348,517	$ 604,175
Payable to employees (including payroll taxes and benefits)	754,115	741,499
	$ 1,102,632	$ 1,345,674

Note 6: Medical Malpractice Coverage and Claims

The Hospital purchases medical malpractice insurance 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 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: Long-term Debt

The following is a summary of long-term debt transactions for the Hospital for the years ended June 30, 2022 and 2021:

	2022				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Revenue bonds payable (A)	$ 198,397	$ -	$ 63,608	$ 134,789	$ 66,391
Revenue bonds payable (B)	536,175	-	59,671	476,504	62,058
Total long-term debt	$ 734,572	$ -	$ 123,279	$ 611,293	$ 128,449

	2021				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Revenue bonds payable (A)	$ 259,339	$ -	$ 60,942	$ 198,397	$ 63,608
Revenue bonds payable (B)	593,552	-	57,377	536,175	59,671
SBA PPP loan payable	1,246,600	-	1,246,600	-	-
Total long-term debt	$ 2,099,491	$ -	$ 1,364,919	$ 734,572	$ 123,279

Revenue Bonds Payable (A)

The revenue bonds payable consists of the Norton County, Kansas Hospital Revenue Bonds Series 2004A, 2004C and 2005 in the original amounts of $200,000, $450,000 and $950,000, respectively. The bonds are payable in annual installments through May 27, 2024. The Hospital, acting as its own trustee, is required to make monthly deposits of approximately $11,857 to a debt service fund. All of the bonds still outstanding may be redeemed at the Hospital's option at any time at a redemption price of 100%. The bonds are secured by the net revenues of the Hospital and the assets restricted under the bond indenture agreement.

The indenture agreement requires the Hospital to comply with certain restrictive covenants including minimum insurance coverage, maintaining a debt-service coverage ratio of at least 1.10 to 1.00 and restrictions on incurrence of additional debt. The Hospital was not in compliance with the debt-service coverage ratio at June 30, 2022.

Revenue Bonds Payable (B)

The revenue bonds payable consists of the Norton County, Kansas Hospital Revenue Bonds Series 2011A and 2011B in the original amounts of $1,200,000 and $1,040,000, respectively. The bonds are payable in annual installments through June 15, 2031. The Hospital made additional principal payments which has changed final maturity to 2029. The Hospital, acting as its own trustee, is required to make monthly deposits of approximately $16,979 to a debt service fund. All of the bonds still outstanding may be redeemed at the Hospital's option at any time at a redemption price of 100%. The bonds are secured by the net revenues of the Hospital and the assets restricted under the bond indenture agreement.

The indenture agreement requires the Hospital to comply with certain restrictive covenants including minimum insurance coverage, maintaining a debt-service coverage ratio of at least 1.10 to 1 and restrictions on incurrence of additional debt. The Hospital was not in compliance with the debt-service coverage ratio at June 30, 2022.

Debt Service Requirements

The revenue bond debt service requirements as of June 30, 2020, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2023	$ 153,406	$ 128,449	$ 24,957
2024	152,443	132,873	19,570
2025	81,119	67,120	13,999
2026	81,118	69,804	11,314
2027	81,118	72,596	8,522
2028 - 2029	148,668	140,451	8,217
	$ 697,872	$ 611,293	$ 86,579

SBA PPP Loan Payable

The Hospital obtained a loan through the Paycheck Protection Program (PPP) on April 14, 2020, in the amount of $1,246,600. The loan has provisions that, if met, allow for the Hospital to be forgiven up to 100% of the loan amount. Management believes that 100% of the loan will be forgiven. If any amounts are not forgiven, interest and principal payments begin 10 months from the date of the end of the covered period. With the passing of the *Paycheck Protection Program Flexibility Act of 2020*, PPP loans entered into before June 5, 2020, could be modified to reflect a 5-year maturity by agreement with the lender and borrow. If not modified, the loan has a 2-year maturity and carries a 1% interest rate. The loan is a program under the Small Business Administration (SBA) and is fully guaranteed by the SBA. The Hospital received legal notice on December 7, 2020, that the PPP loan was forgiven in its entirety.

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

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

Due to certain financial and clinical criteria, the Hospital also receives Medicaid disproportionate share (DSH) funding. Medicaid DSH payments were $220,894 and $255,921 in 2022 and 2021, respectively.

Approximately 54% and 73% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended June 30, 2022 and 2021, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

Note 9: Charity Care

The costs of charity care provided under the Hospital's charity care policy were $145,376 and $241,978 for 2022 and 2021, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

Note 10: Pension Plan

Plan Description

The Kansas Public Employees Retirement System Plan is an umbrella organization administering the following three statewide retirement systems under one plan as provided by K.S.A. 74, Article 49: Kansas Public Employees Retirement System (KPERS), Kansas Police and Fire Retirement System and Kansas Retirement System for Judges.

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

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

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

The Hospital's employees participate in the Local group.

Benefits Provided

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

Early retirement is permitted at the age of 55 and 10 years of credited service. Benefits are reduced by 0.2% per month for each month between the ages of 60-62, plus 0.6% for each month between the ages of 55 and 60 for Tier 1 members. For Tier 2 members, benefits are reduced actuarially for each early commencement. The reduction factor is 35% at the age of 60 and 57.5% at age 55. If the member has 30 years of credited service, the early retirement reduction is less (50% of regular reduction). The plan also provides disability and death benefits to plan members and their beneficiaries.

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

Contributions

The law governing KPERS requires an actuary to make an annual valuation of the liabilities and reserves and a determination of the contributions required to discharge the KPERS liabilities. The actuary then recommends to the KPERS Board of Trustees the statewide employer-contribution rates required to maintain the three systems on the actuarial reserve basis. Prior to January 1, 2014, Tier 1 participants were required to contribute 4.0% of their annual pay. Effective January 1, 2014, the rate was raised to 5.0% with an increase in the benefit multiplier to 1.85% beginning January 1, 2014, for future years of service only. Effective January 1, 2015, the contribution rate was raised to 6%. Tier 2 participants are required to contribute 6% of compensation. The Hospital's

contractually required contribution rate for the year ended June 30, 2022 and 2021, was 8.74% and 8.75% of annual payroll, respectively. The employer contribution is actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The Hospital's contributions to KPERS for pensions for the years ended June 30, 2022 and 2021, were $601,780 and $584,311, respectively.

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

At June 30, 2022 and 2021, the Hospital reported a liability of $4,158,496 and $4,917,319, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and 2020, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020 and 2019, respectively, rolled forward to June 30, 2021 and 2020, respectively. The Hospital's proportion of the net pension liability was based on the ratio of the Hospital's actual contributions to total employer and nonemployer actual contributions of the group for the respective measurement periods. At June 30, 2021, the Hospital's proportion was 0.346554%, which was an increase of 0.062915% from its proportion measured as of June 30, 2020, of 0.283640%. At June 30, 2019, the proportion was 0.307826%.

For the years ended June 30, 2022 and 2021, the Hospital recognized pension expense of $347,825 and $511,210, respectively. At June 30, 2022 and 2021, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 164,145	$ 37,653
Net difference between projected and actual earning on pension plan investments	-	1,476,671
Changes of assumptions	818,605	-
Changes in proportion and differences between the Hospital's contributions and proportionate share of contributions	747,117	605,241
Hospital's contributions subsequent to the measurement date	601,780	-
Total	$ 2,331,647	$ 2,119,565

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 82,104	$ 63,218
Net difference between projected and actual earning on pension plan investments	573,729	-
Changes of assumptions	296,186	-
Changes in proportion and differences between the Hospital's contributions and proportionate share of contributions	114,549	871,339
Hospital's contributions subsequent to the measurement date	584,311	-
Total	$ 1,650,879	$ 934,557

At June 30, 2022, the Hospital reported $601,780 as deferred outflows of resources related to pension contributions made subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2022, related to pensions will be recognized in pension expense as follows:

2023	$ (129,856)
2024	(137,338)
2025	(2,074)
2026	(180,575)
2027	60,145
	$ (389,698)

Actuarial Assumptions

The total pension liability in the December 31, 2020 and 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2021	2020
Inflation	2.75%	2.75%
Salary increases, including inflation	3.5% to 12.00%	3.25% to 11.75%
Investment rate of return, net of pension plan investment expense, including inflation	7.25%	7.50%

The mortality rates used in both the December 31, 2020 and 2019, valuations were based on the RP-2014 Healthy Annuitant Table, with age setbacks and age set forwards as well as other adjustments for mortality improvements based on Scale MP-2016.

The actuarial assumptions used in both the December 31, 2020 and 2019, valuations were based on the results of an actuarial experience study for the three-year period ended December 31, 2018.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	2021		2020	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
U.S. equities	23.50%	5.20%	23.50%	5.20%
Non-U.S. equities	23.50%	6.40%	23.50%	6.40%
Private equity	8.00%	9.50%	8.00%	9.50%
Private real estate	11.00%	4.45%	11.00%	4.45%
Yield driven	8.00%	4.70%	8.00%	4.70%
Real return	11.00%	3.25%	11.00%	3.25%
Fixed income	11.00%	1.55%	11.00%	1.55%
Short-term investments	4.00%	0.25%	4.00%	0.25%
	100.00%		100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 7.25% and 7.50% for the years ended June 30, 2021 and 2020, respectively. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the contractually required rate. Participating employer contributions do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by KPERS' Board of Trustees for these groups may not increase by more than the statutory cap. The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The Hospital's proportionate share of the net pension liability has been calculated using a discount rate of 7.25%. The following presents the Hospital's proportionate share of the net pension liability calculated using a discount rate 1% higher and 1% lower than the current rate.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Hospital's proportionate share of the net pension liability	$ 6,840,323	$ 4,158,496	$ 1,909,445

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued KPERS' financial report.

Note 11: Other Postemployment Benefit Plan

Plan Description

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

Benefits Provided

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

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

	2021	2020
Active employees	100	96
Disabled employees	2	2
	102	98

Total OPEB Liability

The Hospital's total OPEB liability of $149,620 and $202,251 was measured as of June 30, 2021 and 2020, for the years ended June 30, 2022 and 2021, respectively, and was determined by actuarial valuations as of December 31, 2020 and 2019, respectively, rolled forward to June 30, 2021 and 2020, respectively.

The total OPEB liability in the December 31, 2020 and 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2021	2020
Inflation	2.75%	2.75%
Discount rate	2.16%	2.21%
Salary increases, including inflation	3%	3%

The discount rate was based on the Bond Buyer General Obligation 20-Year Bond Municipal Index. The discount rate changed from 3.50% in 2019 to 2.21% in 2020 and to 2.16% in 2021.

Mortality rates were based on the RP-2014 Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups, as appropriate with adjustments for mortality improvements based on MP-2020 Mortality Tables for the December 31, 2020, actuarial valuation.

Mortality rates were based on the RP-2014 Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups, as appropriate with adjustments for mortality improvements based on MP-2019 Mortality Tables for the December 31, 2019, actuarial valuation.

The actuarial assumptions used in the December 31, 2020 and 2019, valuations were based on the results of an actuarial experience study for the period January 1, 2016 – December 31, 2018.

Changes in the Total OPEB Liability

Changes in the total OPEB liability are:

	2022	2021
Balance, beginning of year	$ 202,251	$ 77,200
Changes for the year:		
Service cost	21,212	18,599
Interest on total OPEB liability	4,571	2,590
Differences between expected and actual experience	(45,128)	140,478
Change of assumptions or other inputs	196	7,342
Benefit payments	(33,482)	(43,958)
Net changes	(52,631)	125,051
Balance, end of year	$ 149,620	$ 202,251

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Health Care Cost Trend Rates

The total OPEB liability of the Hospital, at June 30, 2022, has been calculated using a discount rate of 2.16%. The following presents the total OPEB liability using a discount rate 1% higher and 1% lower than the current discount rate.

,

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
Hospital's total OPEB Liability	$ 153,090	$ 149,620	$ 145,425

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

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

For the years ended June 30, 2022 and 2021, the Hospital recognized OPEB expense of $30,867 and $30,740, respectively. At June 30, 2022 and 2021, the Hospital reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 112,070	$ 72,315
Changes of assumptions	6,791	1,621
Total	$ 118,861	$ 73,936

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 126,274	$ 36,857
Changes of assumptions	7,469	1,945
Total	$ 133,743	$ 38,802

Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2022, related to OPEB will be recognized in OPEB expense as follows:

2023	$ 5,084
2024	5,084
2025	5,084
2026	5,084
2027	5,153
Thereafter	19,436
	$ 44,925

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

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

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

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

The extent of the COVID-19 pandemic's adverse effect on the Hospital's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Hospital's control and ability to forecast.

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

Provider Relief Fund

During the year ended June 30, 2022 and 2021, the Hospital received $414,215 and $100,000, respectively, of distributions from the *CARES Act* Provider Relief Fund. These distributions from the Provider Relief Fund are not subject to repayment, provided the Hospital is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services (HHS).

The Hospital is accounting for such payments as voluntary nonexchange transactions. As such, payments are recognized as revenue once the applicable terms and conditions required 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 June 30, 2022 and 2021, the Hospital recognized $49,461 and $1,797,509, respectively, related to the Provider Relief Fund, and these payments are recorded as nonoperating revenues – *CARES Act* funding in the statements of revenues, expenses and changes in net position. The unrecognized amount of Provider Relief Fund distributions is recorded as a component of unearned revenue or due to HHS in the accompanying balance sheets.

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

Other COVID-19 Grant Funding

In November 2021, the Hospital received and recognized $99,493 from a distribution from the Frontline Hospital Employee Retention Plan program. Funding under this program was utilized by the Hospital to retain existing clinical staff and re-hire retirees who have retired since March 1, 2020. The revenue recognized is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

Note 13: 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. Some of these allegations are in areas not covered by the Hospital's commercial insurance; for example, allegations regarding employment practices or performance of contracts. 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 14: Management's Consideration of Going Concern Matters

The Hospital has incurred losses and negative cash flows from operations for the past several years. Management is considering several alternatives for mitigating these conditions during the next year. The Hospital has implemented an overall strategic plan to improve utilization and reduce costs without impacting the quality of patient care. The effects of these changes cannot be evaluated and substantial doubt about the Hospital's ability to continue as a going concern within one year after the date of the financial statements remains.

The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the Hospital be unable to continue as a going concern.

Note 15: Subsequent Events

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

Note 16: Future Change in Accounting Principle

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA) provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

Required Supplementary Information

Norton County Hospital
A Component Unit of Norton County, Kansas
Schedule of the Hospital's Proportionate Share of the Net Pension Liability
Kansas Public Employees Retirement System Plan
Last 10 Fiscal Years

	2022 *	2021 *	2020 *	2019 *	2018 *	2017 *	2016 *	2015 *
Hospital's proportion of the net pension liability	0.346554%	0.283639%	0.307826%	0.376321%	0.384579%	0.360536%	0.341698%	0.332467%
Hospital's proportionate share of the net pension liability	$ 4,158,496	$ 4,917,319	$ 4,301,475	$ 5,245,124	$ 5,570,456	$ 5,577,598	$ 4,486,645	$ 4,092,047
Hospital's covered-employee payroll	$ 6,686,817	$ 5,357,000	$ 5,704,080	$ 6,710,497	$ 6,814,466	$ 6,172,082	$ 5,693,377	$ 5,438,769
Hospital's proportionate share of the net pension liability as a percentage of its covered-employee payroll	62.19%	91.79%	75.41%	78.16%	81.74%	90.37%	78.80%	75.24%
Plan fiduciary net position as a percentage of the total pension liability	76.40%	66.30%	69.88%	68.88%	67.12%	65.10%	64.95%	66.60%

Note to Schedule: This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

*The amounts presented for each fiscal year are as of the measurement date (June 30 of each previous fiscal year).

Norton County Hospital
A Component Unit of Norton County, Kansas
Schedule of the Hospital's Pension Contributions
Kansas Public Employees Retirement System Plan
Last 10 Fiscal Years

	2022 *	2021 *	2020 *	2019 *	2018 *	2017 *	2016 *	2015 *
Contractually required contribution	$ 601,780	$ 584,311	$ 468,660	$ 491,875	$ 567,137	$ 600,418	$ 575,559	$ 515,352
Contribution in relation to the contractually required contribution	601,780	584,311	468,660	491,875	567,137	600,418	575,559	515,352
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Hospital's covered-employee payroll	$ 6,772,647	$ 6,686,817	$ 5,357,000	$ 5,704,080	$ 6,710,497	$ 6,814,466	$ 6,172,082	$ 5,693,377
Contributions as a percentage of covered-employee payroll	8.89%	8.74%	8.75%	8.62%	8.45%	8.81%	9.33%	9.05%

Note to Schedule: This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

*The amounts presented for each fiscal year are as of the most recent fiscal year-end (June 30).

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Norton County Hospital

A Component Unit of Norton County, Kansas

Schedule of Changes in the Hospital's Total OPEB Liability and Related Ratios Last 10 Fiscal Years

	2022 *	2021 *	2020 *	2019 *	2018 *
Total OPEB Liability					
Service cost	$ 21,212	$ 18,599	$ 21,535	$ 21,330	$ 25,387
Interest on total OPEB liability	4,571	2,590	3,671	3,677	2,314
Difference between expected and actual experience	(45,128)	140,478	(20,339)	(29,980)	-
Change of assumptions or other inputs	196	7,342	1,095	(1,024)	(2,111)
Benefit payments	(33,482)	(43,958)	(4,141)	-	-
Net Change in Total OPEB Liability	(52,631)	125,051	1,821	(5,997)	25,590
Hospital's Total OPEB Liability - Beginning	202,251	77,200	75,379	81,376	55,786
Hospital's Total OPEB Liability - Ending	$ 149,620	$ 202,251	$ 77,200	$ 75,379	$ 81,376
Hospital's Covered-Employee Payroll	$ 6,733,938	$ 5,027,718	$ 4,843,600	$ 6,277,889	$ 6,625,913
Hospital's Total OPEB Liability as a percentage of covered-employee payroll	2.22%	4.02%	1.59%	1.20%	1.23%
Discount Rate	2.16%	2.21%	3.50%	3.87%	3.58%

Note to Schedule: This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

*The amounts presented for each fiscal year are as of the most recent fiscal year-end (June 30).

Supplementary Information

Norton County Hospital
A Component Unit of Norton County, Kansas
Net Patient Service Revenue
Years Ended June 30, 2022 and 2021

	2022		
	Inpatient	Outpatient	Total
Nursing, dietary and room services			
Acute hospital	$ 908,382	$ -	$ 908,382
Swing-beds	628,294	-	628,294
Observation	11,157	476,455	487,612
Nursery	89,319	-	89,319
Operating room	389,572	1,017,531	1,407,103
Delivery room	36,478	14,010	50,488
Anesthesia	42,172	139,741	181,913
Radiology	71,176	3,315,610	3,386,786
Laboratory	277,294	2,758,311	3,035,605
Respiratory therapy	214,552	384,847	599,399
Physical therapy	139,020	947,161	1,086,181
Speech therapy	3,069	30,767	33,836
Occupational therapy	67,232	93,205	160,437
Electrocardiology	3,912	379,927	383,839
Central supply	96,138	416,186	512,324
Pharmacy	470,744	5,314,041	5,784,785
Outpatient clinics	50,623	246,224	296,847
Lifeline	-	15,985	15,985
Rural health clinic	-	2,061,435	2,061,435
Emergency room	446,506	4,042,056	4,488,562
	$ 3,945,640	$ 21,653,492	25,599,132
Provision for uncollectible accounts			1,567,086
Less contractual allowances and charity care			10,489,106
Net patient service revenue			$ 13,542,940

2021		
Inpatient	Outpatient	Total
$ 471,418	$ -	$ 471,418
596,241	-	596,241
4,278	332,102	336,380
39,114	-	39,114
53,081	957,830	1,010,911
29,542	2,310	31,852
20,088	121,609	141,697
79,211	3,200,039	3,279,250
182,020	2,626,740	2,808,760
120,810	314,019	434,829
113,277	809,826	923,103
10,429	29,601	40,030
72,360	79,763	152,123
7,810	286,357	294,167
55,357	280,432	335,789
236,824	4,369,901	4,606,725
50,999	302,208	353,207
-	18,907	18,907
-	1,987,807	1,987,807
204,688	3,074,850	3,279,538
$ 2,347,547	$ 18,794,301	21,141,848
		556,595
		8,226,674
		$ 12,358,579

Norton County Hospital
A Component Unit of Norton County, Kansas
Contractual Allowances, Charity Care and Other Operating Revenues
Years Ended June 30, 2022 and 2021

Contractual Allowances and Charity Care

	2022	2021
Charity care	$ 236,908	$ 295,245
Contractual allowances		
Medicare	5,078,441	3,376,775
Medicaid	1,350,846	733,093
Blue Cross	2,662,907	2,473,278
Other	1,068,856	1,222,812
Employee discounts	91,148	125,471
	$ 10,489,106	$ 8,226,674

Other Operating Revenues

	2022	2021
Cafeteria sales	$ 115,467	$ 112,827
Rent	1,345	-
Medical records transcript fees	1,459	2,607
Mobile ultrasound	19,368	47,442
Medical supplies	9,949	6,132
Miscellaneous	10,401	31,113
	$ 157,989	$ 200,121

Norton County Hospital
A Component Unit of Norton County, Kansas
Operating Expenses
Years Ended June 30, 2022 and 2021

	2022		
	Salaries	Other	Total
Nursing services	$ 1,075,126	$ 653,250	$ 1,728,376
Operating room and recovery room	198,496	206,670	405,166
Delivery room	48,789	24,586	73,375
Anesthesia	-	484,641	484,641
Radiology	496,703	448,821	945,524
Laboratory	322,365	620,734	943,099
Chemotherapy	133,119	18,880	151,999
Respiratory therapy	152,072	55,047	207,119
Physical therapy	339,169	20,047	359,216
Speech therapy	-	17,162	17,162
Occupational therapy	63,154	2,253	65,407
Electrocardiology	64,483	40,340	104,823
Central supply	44,104	19,479	63,583
Pharmacy	24,504	674,929	699,433
Contract pharmacy	-	1,871,274	1,871,274
Outpatient clinics	116,944	4,677	121,621
Doctors' building clinic	2,331,663	104,013	2,435,676
Emergency room	265,952	801,674	1,067,626
Depreciation	-	634,501	634,501
Employee benefits	-	1,492,429	1,492,429
Administration and general	1,027,313	940,045	1,967,358
Social services	-	16	16
Plant operation	126,580	338,840	465,420
Laundry and linen	41,510	7,676	49,186
Housekeeping	165,225	21,698	186,923
Dietary	279,175	129,638	408,813
Nursing administration	133,315	5,263	138,578
Medical records	147,981	31,042	179,023
	$ 7,597,742	$ 9,669,625	$ 17,267,367

2021		
Salaries	Other	Total
$ 880,982	$ 641,973	$ 1,522,955
192,795	354,229	547,024
37,061	27,111	64,172
120,993	390,178	511,171
490,621	369,047	859,668
199,939	793,332	993,271
120,200	15,397	135,597
114,699	53,458	168,157
342,662	12,865	355,527
-	16,448	16,448
52,721	243	52,964
49,584	24,009	73,593
37,795	(33,604)	4,191
25,186	752,210	777,396
-	1,113,395	1,113,395
120,148	18,170	138,318
2,347,612	60,283	2,407,895
185,043	634,999	820,042
-	609,966	609,966
-	1,529,284	1,529,284
963,691	1,417,683	2,381,374
-	-	-
125,406	386,905	512,311
34,407	6,552	40,959
132,014	18,642	150,656
232,129	114,990	347,119
110,016	12,293	122,309
150,376	45,025	195,401
$ 7,066,080	$ 9,385,083	$ 16,451,163