Rawlins County Health Center
A Component Unit of Rawlins County, Kansas

Independent Auditor's Report, and Financial Statements

June 30, 2022 and 2021



Rawlins County Health Center
A Component Unit of Rawlins County, Kansas
June 30, 2022 and 2021

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Independent Auditor's Report

Board of Trustees
Rawlins County Health Center
Atwood, Kansas

Opinions

We have audited the accompanying financial statements of Rawlins County Health Center, a component unit of Rawlins County, Kansas, and Rawlins County Health Center Foundation, its discretely presented component unit, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise Rawlins County Health Center'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 Rawlins County Health Center and of its discretely presented component unit as of June 30, 2022 and 2021, and the respective changes in financial position and, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 Rawlins County Health Center 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 17* to the financial statements, during the year ended June 30, 2022, Rawlins County Health Center adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are 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.

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Rawlins County Health Center'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 Rawlins County Health Center's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit as conducted for the purpose of forming opinions on the financial statements that collectively comprise Rawlins County Health Center's basic financial statements. The Comparison of Revenues and Expenses (Cash Basis) – Actual to Tax Budget 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 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 Comparison of Revenues and Expenses (Cash Basis) – Actual to Tax Budget is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

FORVIS, LLP

Wichita, Kansas
March 3, 2023

Rawlins County Health Center
A Component Unit of Rawlins County, Kansas
Balance Sheets
June 30, 2022 and 2021

Assets

	2022	2021 (As Restated)
Current Assets		
Cash and cash equivalents	$ 10,124,561	$ 11,065,448
Patient accounts receivable, net of allowance; 2022 - $1,087,208, 2021 - $1,205,134	1,189,231	1,176,055
Estimated amounts due from Medicare	1,007,000	272,000
Property taxes receivable	53,293	37,359
Supplies	213,385	237,758
Prepaid expenses and other	106,317	115,211
Total current assets	12,693,787	12,903,831
Noncurrent Cash and Investments		
Designated by Board of Trustees for capital acquisitions	1,996,311	1,398,234
Long-term certificates of deposit	-	249,000
Held by Foundation for capital acquisitions	1,046,559	794,222
Held by trustee for debt service	629,076	595,476
Time restricted trust assets	23,293	24,951
Irrevocable trust	487,702	511,502
	4,182,941	3,573,385
Capital Assets, Net	5,546,571	6,230,949
Lease Assets, Net	510,389	77,575
Total assets	$ 22,933,688	$ 22,785,740

See Notes to Financial Statements

Liabilities, Deferred Inflows of Resources and Net Position

	2022	2021 (As Restated)
Current Liabilities		
Current maturities of long-term debt	$ 133,003	$ 162,850
Current portion of lease liabilities	97,501	38,548
Accounts payable	393,175	804,817
Salaries payable	88,202	175,641
Payroll taxes payable	33,857	46,490
Vacation benefits payable	183,760	129,361
Accrued interest payable	146,839	149,445
Advance from Medicare	2,138,658	1,666,461
Unearned revenue	421,248	1,680,912
Total current liabilities	3,636,243	4,854,525
Other Liabilities		
Advance from Medicare	-	1,616,343
Long-term debt	6,177,427	6,310,430
Lease liabilities	404,430	114,752
Total other liabilities	6,581,857	8,041,525
Total liabilities	10,218,100	12,896,050
Deferred Inflows of Resources - Property Taxes	486,376	487,225
Net Position		
Net investment in capital assets	(755,401)	(318,555)
Restricted - expendable for		
Debt service	629,076	595,476
Capital acquisitions	1,046,559	794,222
Restricted - nonexpendable for		
Time restricted trust	23,293	24,951
Irrevocable trust	487,702	511,502
Unrestricted	10,797,983	7,794,869
Total net position	12,229,212	9,402,465
Total liabilities, deferred inflows of resources and net position	$ 22,933,688	$ 22,785,740

Rawlins County Health Center Foundation

A Discretely Presented Component Unit of Rawlins County Health Center

Statements of Financial Position

June 30, 2022 and 2021

Assets

	2022	2021
Current Assets		
Cash	$ 5,976	$ 386,601
Restricted cash	382,449	360,604
Short-term investments	641,319	-
Notes receivable from Health Center	15,672	47,017
Total assets	$ 1,045,416	$ 794,222

Net Assets

Without donor restrictions	$ 662,967	$ 433,618
With donor restrictions	382,449	360,604
Total net assets	$ 1,045,416	$ 794,222

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

	2022	2021 (As Restated)
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2022 - $(187,618), 2021 - $522,516	$ 8,067,744	$ 7,289,651
Prairie Plaza	120,145	116,797
340B drug program	586,971	519,513
Other	344,742	207,209
Total operating revenues	9,119,602	8,133,170
Operating Expenses		
Salaries and wages	3,366,355	3,275,934
Employee benefits	846,573	852,106
Purchased services and professional fees	2,483,189	2,006,132
Supplies and other	1,890,603	1,680,692
Depreciation	767,981	752,043
Amortization	54,812	118,954
Total operating expenses	9,409,513	8,685,861
Operating Loss	(289,911)	(552,691)
Nonoperating Revenues (Expenses)		
Property taxes	982,738	967,656
Investment income	16,264	89,230
Interest expense	(231,681)	(233,976)
Gain (loss) on sale of capital assets	(51,453)	-
Insurance recoveries on capital assets	115,644	-
Provider Relief Funds (*CARES Act*)	1,577,912	1,970,729
Paycheck Protection Program (PPP) loan forgiveness	-	629,827
Noncapital grants and gifts	349,879	118,952
Total nonoperating revenues	2,759,303	3,542,418
Excess of Revenue Over Expenses Before Capital Grants and Gifts	2,469,392	2,989,727
Capital Grants and Gifts	357,355	254,738
Increase in Net Position	2,826,747	3,244,465
Net Position, Beginning of Year	9,402,465	6,158,000
Net Position, End of Year	$ 12,229,212	$ 9,402,465

Rawlins County Health Center Foundation

A Discretely Presented Component Unit of Rawlins County Health Center

Statements of Activities

Years Ended June 30, 2022 and 2021

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions	$ 327,493	$ 21,845	$ 349,338
Investment return	(5,626)	-	(5,626)
Total revenues, gains and other support	321,867	21,845	343,712
Expenses			
Contributions to Health Center	81,448	-	81,448
Other	11,070	-	11,070
Total expenses	92,518	-	92,518
Change in Net Assets	229,349	21,845	251,194
Net Assets, Beginning of Year	433,618	360,604	794,222
Net Assets, End of Year	$ 662,967	$ 382,449	$ 1,045,416

Rawlins County Health Center Foundation

A Discretely Presented Component Unit of Rawlins County Health Center

Statements of Activities (Continued)

Years Ended June 30, 2022 and 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions	$ 315,492	$ 36,814	$ 352,306
Investment return	1,369	-	1,369
Net assets released from restrictions used for operations	15,059	(15,059)	-
Total revenues, gains and other support	331,920	21,755	353,675
Expenses			
Contributions to Health Center	295,264	-	295,264
Other	61,919	-	61,919
Total expenses	357,183	-	357,183
Change in Net Assets	(25,263)	21,755	(3,508)
Net Assets, Beginning of Year	458,881	338,849	797,730
Net Assets, End of Year	$ 433,618	$ 360,604	$ 794,222

Rawlins County Health Center
A Component Unit of Rawlins County, Kansas
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021 (As Restated)
Cash Flows From Operating Activities		
Receipts from and on behalf of patients	$ 6,175,422	$ 6,254,293
Payments to suppliers and contractors	(5,460,823)	(4,238,951)
Payments to employees	(3,399,395)	(3,256,373)
Other receipts (payments), net	(207,806)	(1,027,210)
Net cash used in operating activities	(2,892,602)	(2,268,241)
Cash Flows From Noncapital Financing Activities		
Property taxes supporting operations	965,955	983,752
Provider Relief Funds (*CARES Act*)	1,577,912	1,970,729
Noncapital grants and gifts	349,879	118,952
Net cash provided by noncapital financing activities	2,893,746	3,073,433
Cash Flows From Capital and Related Financing Activities		
Insurance recoveries on capital assets	115,644	-
Purchase of capital assets	(255,884)	(370,461)
Principal paid on long-term debt	(162,850)	(163,866)
Interest paid on long-term debt	(225,192)	(225,319)
Capital grants and gifts	105,018	146,746
Principal paid on leases payable	(171,323)	(43,229)
Interest paid on leases payable	(6,489)	(8,657)
Net cash used in capital and related financing activities	(601,076)	(664,786)
Cash Flows From Investing Activities		
Interest income received	41,722	30,752
Change in certificates of deposit	249,000	-
Net cash provided by investing activities	290,722	30,752
Increase (Decrease) in Cash and Cash Equivalents	(309,210)	171,158
Cash and Cash Equivalents, Beginning of Year	13,059,158	12,888,000
Cash and Cash Equivalents, End of Year	$ 12,749,948	$ 13,059,158
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents in current assets	$ 10,124,561	$ 11,065,448
Noncurrent cash	2,625,387	1,993,710
	$ 12,749,948	$ 13,059,158

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

	2022	2021
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities		
Operating loss	$ (289,911)	$ (552,691)
Depreciation	767,981	752,043
Amortization	54,812	118,954
Provision for uncollectible accounts	(187,618)	522,516
Changes in operating assets and liabilities		
Patient accounts receivable, net	174,442	(870,828)
Estimated amounts due from and to Medicare	(735,000)	(522,000)
Supplies	24,373	23,029
Other assets	8,894	(70,932)
Accounts payable and accrued expenses	(306,765)	367,443
Advance from Medicare	(1,144,146)	(165,046)
Unearned revenue	(1,259,664)	(1,870,729)
Net cash used in operating activities	$ (2,892,602)	$ (2,268,241)
Noncash Investing, Capital and Financing Activities		
Lease obligations incurred for lease assets	$ 519,954	$ -
Increase (decrease) in fair value of the irrevocable trust and the time restricted trust	$ (25,458)	$ 58,478
Capital assets acquisitions included in accounts payable	$ -	$ 153,156
Capital assets transferred from Rawlins County	$ -	$ 112,000
PPP loan forgiveness	$ -	$ 629,827

Rawlins County Health Center
A Component Unit of Rawlins 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

Rawlins County Health Center (Health Center) is an acute care hospital located in Atwood, Kansas. The Health Center is a component unit of Rawlins County (County) and is governed by an elected Board of Trustees. The Health Center primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in the Rawlins County area.

Foundation

Rawlins County Health Center Foundation (Foundation) is a legally separate, tax-exempt component unit of the Health Center. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the Health Center in support of its programs. The three to ten member board of the Foundation is self-perpetuating and consists of area business and community members. The Health Center appoints up to two members of the Foundation board. The remaining members are elected by a majority of the current members.

Although the Health Center does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources and related income are used for the benefit of the Health Center. Because of the relationship and level of support the Health Center receives from the Foundation, the Foundation is considered a component unit of the Health Center and is discretely presented in the Health Center's financial statements.

During the years ended June 30, 2022 and 2021, the Foundation distributed $81,448 and $295,264, respectively, to the Health Center.

The Foundation is a private nonprofit organization that reports under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As such, certain revenue recognition criteria and presentation features are different from Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to the Foundation's statements in the Health Center's financial reporting entity for these differences.

Basis of Accounting and Presentation

The financial statements of the Health Center have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions 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 property taxes, interest income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Health Center first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Use of Estimates

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

Cash Equivalents

The Health Center considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2022 and 2021, cash equivalents consisted of certificates of deposit.

Certificates of Deposit

Certificates of deposit are carried at amortized cost. Certificates of deposit with original maturities of less than one year are reported as current assets. Those with original maturities greater than one year are reported as noncurrent investments.

Budgetary Principles

The Health Center is required by state statutes to adopt an annual budget for the unrestricted funds on or before August 25 for the ensuing year. The Health Center's Board of Trustees may amend the budget by transferring budgeted amounts from one object or purpose to another within the same fund. Expenditures may not legally exceed the total amount of the adopted budget of expenditures of the fund which is prepared on a calendar year basis.

Applicable Kansas statutes require the use of an encumbrance system as a management control technique to assist in controlling expenditures. For budgetary purposes, encumbrances of the budgeted unrestricted funds, representing purchase orders, contracts and other commitments, are reported as a charge to the current budget year. All unencumbered appropriations lapse at the end of the year.

Patient Accounts Receivable

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

Supplies

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

Noncurrent Cash and Investments

Noncurrent cash and investments include designated assets set aside by the Board of Trustees for capital acquisitions, over which the Board retains control and may at its discretion subsequently use for other purposes. Also included in noncurrent cash and investments are assets restricted for capital acquisitions, restricted for debt service, time restricted trust assets and an irrevocable trust.

Investments and Investment Return - Foundation

All other investments are carried at fair value. Fair value is determined using quoted market prices. Investment return includes dividend and interest income, realized and unrealized gains and losses on investments carried at fair value.

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 Health Center:

Land improvements	20 years
Buildings	10-50 years
Fixed equipment	10-20 years
Moveable equipment	5-20 years

Lease Assets

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Capital and Lease Asset Impairment

The Health Center evaluates capital and lease assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital or lease asset has occurred. If a capital or lease asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment loss. No asset impairment was recognized during the years ended June 30, 2022 and 2021.

Paycheck Protection Program (PPP) Loan

The Heath Center 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 Health Center received legal notice on November 2, 2020, that the PPP loan was forgiven in its entirety and recognized the gain on extinguishment as other nonoperating revenue in the accompanying statements of revenues, expenses and changes in net position.

Compensated Absences

Health Center policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Risk Management

The Health Center 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; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than employee health and dental claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Deferred Inflows of Resources

The Health Center reports decreases in net position that relate to future periods as deferred inflows of resources in a separate section of its balance sheets. Deferred inflows of resources consist of property taxes levied for use in future periods.

Net Position

Net position of the Health Center is classified in four components on its balance sheets.

- Net investment in capital assets consists of capital and lease assets net of accumulated depreciation and amortization 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 Health Center, including amounts deposited with trustees as required by revenue bond indentures, reduced by the outstanding balances of any related borrowings.
- Restricted nonexpendable net position consists of noncapital assets that are required to be maintained in perpetuity as specified by parties external to the Health Center, such as permanent endowments. The time restricted trust assets have a time restriction that expires in year 2026.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Net Patient Service Revenue

The Health Center has agreements with third-party payers that provide for payments to the Health Center 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 Health Center provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Health Center does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

Property Taxes

The Health Center received approximately 8% in 2022 and 2021 of its financial support from property taxes. One hundred percent of these funds were used to support operations in both years.

Property taxes are levied in November of one year and are received beginning in January of the following year. Property tax revenue is recognized in full in the year following the year the taxes are levied, which is the year in which use is first permitted.

Provider Relief Funds (CARES Act)

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

Income Taxes

As an essential government function of the County, the Health Center 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 Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income.

Note 2: Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Health Center'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, $12,463,298 and $12,827,005 of the Health Center's bank balances of $12,980,634 and $13,369,936 were exposed to custodial credit risk as follows:

	2022	2021
Uninsured and collateral held by pledging financial institution	$ 12,463,298	$ 12,827,005

Summary of Carrying Values

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

	2022	2021
Carrying value		
Deposits	$ 12,749,948	$ 13,308,158
Included in the following balance sheet captions		
Cash and cash equivalents	$ 10,124,561	$ 11,065,448
Noncurrent cash and investments		
Designated by Board of Trustees for capital acquisitions	1,996,311	1,398,234
Long-term certificates of deposit	-	249,000
Held by trustee for debt service	629,076	595,476
	$ 12,749,948	$ 13,308,158

Foundation

At June 30, 2022 and 2021, the Foundation's cash accounts exceeded federally insured limits by approximately $138,000 and $497,000, respectively.

	2022	2021
Foundation cash	$ 388,425	$ 747,205

Note 3: Patient Accounts Receivable

The Health Center grants credit without collateral to its patients, many of whom are area residents and are insured under third-party agreements. Patient accounts receivable at June 30 consisted of:

	2022	2021
Medicare	$ 560,450	$ 770,345
Medicaid	82,839	117,616
Blue Cross	127,989	143,964
Other third-party payers	309,697	252,300
Self-pay	1,195,464	1,096,964
	2,276,439	2,381,189
Less provision for uncollectible accounts	(1,087,208)	(1,205,134)
Patient accounts receivable, net	$ 1,189,231	$ 1,176,055

Note 4: Investments and Investment Return - Foundation

Investments at June 30, 2022 and 2021, consisted of the following:

	2022	2021
Money market funds	$ 641,319	$ -

Total investment return is comprised of the following:

	2022	2021
Interest and dividend income	$ 882	$ 1,369
Net realized and unrealized losses on investments reported at fair value	(6,508)	-
	$ (5,626)	$ 1,369

Note 5: Capital and Lease Assets

Capital assets activity for the years ended June 30 was:

	2022				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 14,705	$ -	$ -	$ -	$ 14,705
Land improvements	1,010,644	-	-	-	1,010,644
Buildings	10,425,214	-	-	-	10,425,214
Fixed equipment	2,285,208	9,995	-	9,950	2,305,153
Moveable equipment	2,368,486	44,053	-	415,624	2,828,163
Vehicles	-	29,555	-	-	29,555
Construction in progress	425,574	-	-	(425,574)	-
	16,529,831	83,603	-	-	16,613,434
Less accumulated depreciation					
Land improvements	753,168	49,859	-	-	803,027
Buildings	5,936,857	422,664	-	-	6,359,521
Fixed equipment	1,663,268	139,333	-	-	1,802,601
Moveable equipment	1,945,589	156,125	-	-	2,101,714
	10,298,882	767,981	-	-	11,066,863
Capital Assets, Net	$ 6,230,949	$ (684,378)	$ -	$ -	$ 5,546,571

	2021 - *(As Restated)*				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 14,705	$ -	$ -	$ -	$ 14,705
Land improvements	1,010,644	-	-	-	1,010,644
Buildings	10,313,214	112,000	-	-	10,425,214
Fixed equipment	2,211,141	74,067	-	-	2,285,208
Moveable equipment	2,344,510	23,976	-	-	2,368,486
Construction in progress	-	425,574	-	-	425,574
	15,894,214	635,617	-	-	16,529,831
Less accumulated depreciation					
Land improvements	702,923	50,245	-	-	753,168
Buildings	5,467,563	469,294	-	-	5,936,857
Fixed equipment	1,486,993	176,275	-	-	1,663,268
Moveable equipment	1,889,360	56,229	-	-	1,945,589
	9,546,839	752,043	-	-	10,298,882
Capital Assets, Net	$ 6,347,375	$ (116,426)	$ -	$ -	$ 6,230,949

Lease assets activity for the years ended June 30 was:

	2022				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Moveable equipment	$ 196,529	$ 519,954	$ (181,845)	$ -	$ 534,638
	196,529	519,954	(181,845)	-	534,638
Less accumulated amortization					
Moveable equipment	118,954	54,812	(149,517)	-	24,249
	118,954	54,812	(149,517)	-	24,249
Lease Assets, Net	$ 77,575	$ 465,142	$ (32,328)	$ -	$ 510,389

	2021 - *(As Restated)*				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Moveable equipment	$ 196,529	$ -	$ -	$ -	$ 196,529
	196,529	-	-	-	196,529
Less accumulated amortization					
Moveable equipment	-	118,954	-	-	118,954
	-	118,954	-	-	118,954
Lease Assets, Net	$ 196,529	$ (118,954)	$ -	$ -	$ 77,575

Note 6: Irrevocable Trust

The Health Center is an income beneficiary of an irrevocable trust controlled by an unrelated third-party trustee. The beneficial interest in the assets of this trust is included in the Health Center's financial statements as restricted, non-expendable net position. Income is distributed in accordance with the trust documents and is included in noncapital grants and gifts. The estimated value of the expected future cash flows is $487,702 and $511,502 at June 30, 2022 and 2021, respectively, which represents the Health Center's share of the fair value of the trust assets. Trust income distributed to the Health Center was $9,154 and $11,200 for the years ended June 30, 2022 and 2021, respectively.

The trust is invested primarily in mutual funds and real estate in Rawlins County, Kansas.

Note 7: Medical Malpractice Coverage and Claims

The Health Center purchases medical malpractice insurance under a claims-made policy with a fixed premium which provides for $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 Health Center's claim experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Note 8: Long-term Obligations

The following is a summary of long-term debt transactions for the Health Center for the years ended June 30:

	2022					
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	Long-term Portion
Series 2012 Revenue Bonds	$ 6,404,754	$ -	$ 111,709	$ 6,293,045	$ 115,618	$ 6,177,427
Note payable - Foundation	47,017	-	31,345	15,672	15,672	-
Financed capital purchases	21,509	-	19,796	1,713	1,713	-
Lease liabilities	153,300	519,954	171,323	501,931	97,501	404,430
	$ 6,626,580	$ 519,954	$ 334,173	$ 6,812,361	$ 230,504	$ 6,581,857

	2021 - *(As Restated)*					
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	Long-term Portion
Series 2012 Revenue Bonds	$ 6,512,685	$ -	$ 107,931	$ 6,404,754	$ 111,709	$ 6,293,045
Note payable - Foundation	78,361	-	31,344	47,017	31,344	15,673
Note payable - PPP Loan	629,827	-	629,827	-	-	-
Financed capital purchases	42,059	-	20,550	21,509	19,797	1,712
Lease liabilities	196,529	-	43,229	153,300	38,548	114,752
	$ 7,459,461	$ -	$ 832,881	$ 6,626,580	$ 201,398	$ 6,425,182

Series 2012 Revenue Bonds

In November 2010, the County issued 1.75% Kansas Hospital Revenue Bond Anticipation Refunding and Improvement Bonds, Series 2010B, totaling $7,000,000 maturing on November 1, 2012. The Series 2010B Revenue Bonds were used to provide funds for renovation projects to the Health Center and for redemption of $1,100,000 of the Series 2010 Revenue Bonds. The County issued Kansas Hospital Refunding Bonds, Series 2012, dated October 26, 2012, to provide permanent funding for the project. The Series 2012 Bonds total $7,000,000 and have maturity dates through October 26, 2052. The United States Department of Agriculture – Rural Development purchased the Series 2012 Bonds in their entirety on October 31, 2012.

The indenture agreements require the Health Center to comply with certain restrictive covenants including minimum insurance coverage and maintaining a historical debt-service coverage ratio of at least 1.20.

Under the terms of the bond indentures, the Health Center is required to maintain certain revenue bond funds. These funds, which consist entirely of cash, are included in noncurrent cash and investments – held by trustee for debt service in the accompanying balance sheets and consist of the following at June 30:

	2022	2021
Debt service	$ 253,425	$ 253,425
Bond reserve funds	375,651	342,051
	$ 629,076	$ 595,476

The debt service requirements of revenue bonds payable as of June 30, 2022, are as follows:

Year Ending June 30,	Total	Revenue Bonds Payable Principal	Revenue Bonds Payable Interest
2023	$ 335,875	$ 115,618	$ 220,257
2024	335,875	119,665	216,210
2025	335,875	123,853	212,022
2026	335,875	128,188	207,687
2027	335,875	132,675	203,200
2028-2032	1,679,374	736,364	943,010
2033-2037	1,679,374	874,570	804,804
2038-2042	1,679,375	1,038,715	640,660
2043-2047	1,679,375	1,233,668	445,707
2048-2052	1,679,376	1,465,212	214,164
2053	335,875	324,517	11,358
	$ 10,412,124	$ 6,293,045	$ 4,119,079

Note Payable - Foundation

In November 2017, the Health Center entered into a note payable with the Foundation in the amount of $156,722 and interest at 0%. Proceeds of the note were used to fund building improvements. Payments are due monthly through December 31, 2022.

The debt service requirements of note payable to Foundation as of June 30, 2022, are as follows:

Year Ending June 30,	Total	Foundation Note Payable Principal	Foundation Note Payable Interest
2023	$ 15,672	$ 15,672	$ -
	$ 15,672	$ 15,672	$ -

Note Payable – PPP Loan

The *CARES Act* and other subsequent legislation also provides an SBA loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. The Health Center received a PPP loan of $629,827 in 2020. The loan has an interest rate of 1%. The Health Center received legal notice on November 2, 2020, that the PPP loan was forgiven in its entirety.

Financed Capital Purchases

Financed capital purchases are in the form of a note payable to vendor, with a maturity date of July 2022. Principal and interest is payable monthly. The interest rate is 7.00%. The note is secured by certain capital assets.

The debt service requirements on financed capital purchases as of June 30, 2022, are as follows:

Year Ending June 30,	Total	Financed Capital Purchase Principal	Financed Capital Purchase Interest
2023	$ 1,723	$ 1,713	$ 10
	$ 1,723	$ 1,713	$ 10

Lease Liabilities

The Health Center leases equipment, the terms of which expire in various years through 2027. Payments are based on the lease agreements in each specific lease.

The following is a schedule by year of payments under the leases as of June 30, 2022:

Year Ending June 30,	Total	Lease Liabilities Principal	Lease Liabilities Interest
2023	$ 112,502	$ 97,501	$ 15,001
2024	112,502	100,715	11,787
2025	112,502	104,097	8,405
2026	112,501	107,560	4,941
2027	93,448	92,058	1,390
	$ 543,455	$ 501,931	$ 41,524

Note 9: Employee Health Claims

Substantially all of the Health Center's employees and their dependents are eligible to participate in the Health Center's employee health insurance plan. The Health Center is self-insured for health claims of participating employees and dependents up to an annual aggregate amount of $50,000 per covered employee. Commercial stop-loss insurance coverage is purchased for claims in excess of the aggregate annual amount. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claim experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Health Center's estimate will change by a material amount in the near term.

Activity in the Health Center's accrued employee health claims liability during 2022 and 2021 is summarized as follows:

	2022	2021
Balance, beginning of year	$ 76,822	$ 21,033
Current year claims incurred and changes in estimates for claims incurred in prior years	259,431	385,929
Claims and expenses paid	(276,431)	(330,140)
Balance, end of year	$ 59,822	$ 76,822

Note 10: Net Patient Service Revenue

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

Medicare. The Health Center is recognized as a critical access hospital (CAH) and is paid at one hundred one percent (101%) of allowable costs for certain inpatient and outpatient services. The Health Center is reimbursed for certain services and cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Health Center and audits thereof by the Medicare administrative contractor.

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

Approximately 74% and 84% of net patient service revenues are 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 Health Center has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Health Center under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Note 11: Management Agreement

The Health Center has contracted with Centura Health Corporation (Centura) for various services, including oversight, providing a hospital administrator and certain other financial services. The initial contract term was for a period of one year through September 30, 2018, with a first renewal term of three years through September 30, 2021. Following the first renewal term, the contract shall thereafter continue for successive one-year terms unless cancelled by either party at least 90 days before the end of the term. Fees incurred for the various services provided by Centura to the Health Center for the years ended June 30, 2022 and 2021, were $95,799 and $135,868, respectively. Amounts due to Centura at June 30, 2022 and 2021, were $30,442 and $56,884, respectively.

Note 12: 340B Drug Pricing Program

The Health Center participates in the 340B Drug Pricing Program (340B Program) enabling the Health Center to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Health Center recorded revenues of $586,971 and $519,513 for the years ending June 30, 2022 and 2021, respectively. The Health Center recorded expenses of $477,828 and $216,631 for the years ending June 30, 2022 and 2021, respectively, which is included in supplies and other in the accompanying statements of revenue and expenses and changes in net position. This program is overseen by the Health Resources and Service Administration (HRSA) office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to financial statement amounts related to 340B Program could occur in the near term.

Note 13: Pension Plans

Defined Contribution Plan

The Health Center maintains a contributory pension plan which requires mandatory contributions from all participating employees. Benefits are funded by a money purchase annuity with an insurance company. Employee and employer contributions are computed at 8% of annual eligible compensation respectively. All contributions are 100% vested upon participation in the plan. Contributions actually made by plan members and the Health Center aggregated $272,241 and $265,237 during 2022 and $241,966 and $244,576 during 2021, respectively.

Deferred Compensation Plan

The Health Center provides a deferred compensation plan (457 Plan) to substantially all employees of the Health Center. The employees may contribute up to 100% of their salary to the 457 Plan. The employees' salary deferral is limited by the Internal Revenue Service (IRS) annually. Employees are 100% vested in the contributions they choose to defer. Contributions from employees to the 457 Plan were $40,148 and $29,199 for the years ended June 30, 2022 and 2021, respectively. The Health Center does not contribute to the 457 Plan.

Note 14: COVID-19 Pandemic & *CARES Act* Funding

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

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

The Health Center's pandemic response plan has multiple facets and continues to evolve as the pandemic unfolds. The Health Center 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 Health Center's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Health Center's control and ability to forecast.

Because of these and other uncertainties, the Health Center cannot estimate the length or severity of the effect of the pandemic on the Health Center'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

The Health Center received $321,248 and $100,000 from the *CARES Act* Provider Relief Fund for the years ended June 30, 2022 and 2021, respectively. These distributions from the Provider Relief Fund are not subject to repayment, provided the Health Center 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 Health Center 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 Health Center's operating revenues and expenses through June 30, 2022 and 2021, the Health Center recognized $1,577,912 and $1,970,729, respectively, related to the Provider Relief Fund, and these payments are recorded as Provider Relief Funds (*CARES Act*) in the accompanying statements of revenues, expenses and changes in net position. The unrecognized amount of Provider Relief Fund distributions of $421,248 and $1,680,912 is recorded as a component of unearned revenue in the accompanying balance sheets for the years ended June 30, 2022 and 2021, respectively.

The Health Center will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Health Center's revenues and expenses. The terms and conditions governing the Provider Relief Funds are complex and subject to interpretation and change. If the Health Center is unable to attest to or comply with current or future terms and conditions the Health Center'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.

Paycheck Protection Program (PPP) Loan

During fiscal year 2020, the Health Center received a PPP loan of $629,827 established by the *CARES Act* and has accounted for the funding as debt in accordance with GASB 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan is recognized as nonoperating revenue in the financial statements in the period the debt is legally forgiven. PPP loans are subject to audit and acceptance by the SBA, or lender; as a result of such audit, adjustment could be required to any revenue recognized. The Health Center received legal notice on November 2, 2020, that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment as Paycheck Protection Program (PPP) loan forgiveness in the accompanying statements of revenues, expenses and changes in net position.

Medicare Accelerated and Advanced Payment Program

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

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

During the year ended June 30, 2020, the Health Center received $3,447,850 from these accelerated Medicare payment requests. During the years ended June 30, 2022 and 2021, Medicare applied $1,144,146 and $165,046, respectively, from these accelerated Medicare payment requests against filed claims. The unapplied amount of accelerated Medicare payment requests is recorded under the caption Advance from Medicare in the accompanying balance sheets and is classified as a current and a long-term liability as of June 30, 2022 and 2021, respectively, based upon payback provisions in effect at June 30, 2022 and 2021, respectively.

Other COVID-19 Funding

In November 2021, the Health Center received and recognized $95,514 from a distribution from the Frontline Hospital Employee Retention Plan Program. Funding under this program was utilized by the Health Center 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.

During the years ended June 30, 2022 and 2021, the Coronavirus Small Rural Hospital Improvement Program provided support to small rural and Critical Access Hospitals (CAHs) which were seeing increased demands for clinical services and equipment, as well as experiencing short-term financial and workforce challenges related to responding to meeting the needs of patients with COVID-19 seeking care at their facilities. These funds were administered through the Small Rural Hospital Improvement Program (SHIP) to provide emergency funding support to CAHs and non-CAH rural hospitals with less than 50 beds. This approach provided funding directly to the states to target those rural hospitals and the communities they serve who are facing the greatest strain from this crisis. The Health Center received and recognized $68,033 and $30,381 related to the SHIP grant for the years ended June 30, 2022 and 2021, respectively. The revenue recognized is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

Note 15: 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 Health Center. The duration of these uncertainties and the 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.

Note 17: Adoption of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*

Effective July 1, 2021, the Health Center adopted GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement required a retrospective transition method using the facts and circumstances that existed at the beginning of the earliest year presented. As a result, the Health Center was required to retroactively restate June 30, 2021, amounts as follows:

	As Restated	Previously Reported	Effect of Adoption
Balance Sheet			
Capital assets, net	$ 6,230,949	$ 6,307,728	$ (76,779)
Lease assets, net	77,575	-	77,575
Current maturities of long-term debt	162,850	211,454	(48,604)
Current portion of lease liabilities	38,548	-	38,548
Long-term debt	6,310,430	6,414,829	(104,399)
Lease liabilities	114,752	-	114,752
Net position - unrestricted	7,794,869	7,794,370	499
Statements of Revenues, Expenses and Changes in Net Position			
Supplies and other	1,680,692	1,695,269	(14,577)
Depreciation	752,043	857,109	(105,066)
Amortization	118,954	-	118,954
Interest expense	233,976	233,786	190
Increase in net position	3,244,465	3,243,966	499
Net position, end of year	9,402,465	9,401,966	499
Statements of Cash Flows			
Payments to suppliers and contractors	(4,238,951)	(4,253,528)	14,577
Principal paid on long-term debt	(163,866)	(192,708)	28,842
Interest paid on long-term debt	(225,319)	(233,786)	8,467
Principal paid on leases payable	(43,229)	-	(43,229)
Interest paid on leases payable	(8,657)	-	(8,657)
Operating loss	(552,691)	(553,380)	689
Depreciation	752,043	857,109	(105,066)
Amortization	118,954	-	118,954

Supplementary Information

Rawlins County Health Center
A Component Unit of Rawlins County, Kansas
Comparison of Revenues and Expenses (Cash Basis) Actual to Tax Budget
Calendar Year Ended December 31, 2021

	Actual	Tax Budget	Actual Over (Under) Budget
Net patient service revenue	$ 8,588,867	$ 9,721,723	$ (1,132,856)
Other revenue	899,840	479,319	420,521
Total operating revenue	9,488,707	10,201,042	(712,335)
Operating expenses	9,032,899	11,180,700	(2,147,801)
Operating income (loss)	455,808	(979,658)	1,435,466
Property tax revenue	990,552	932,870	57,682
Other nonoperating revenues	308,407	305,491	2,916
Total nonoperating revenues	1,298,959	1,238,361	60,598
Excess of revenues over expenses	$ 1,754,767	$ 258,703	$ 1,496,064