Stafford County Hospital
A Component Unit of Stafford County, Kansas

Independent Auditor's Report and Financial Statements

December 31, 2021 and 2020

Stafford County Hospital
A Component Unit of Stafford County, Kansas
December 31, 2021 and 2020

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Independent Auditor's Report

Board of Directors
Stafford County Hospital
Stafford, Kansas

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Stafford County Hospital as of December 31, 2021 and 2020, 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 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 Stafford 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 11* to the financial statements, the Hospital has suffered recurring losses from operations and has a net deficit, which raises substantial doubt exists about the Hospital's ability to continue as a going concern. Management's evaluation of the conditions and events and management's plans regarding these matters are also described in *Note 11*. 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.

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 Stafford County Hospital's ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

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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 Stafford 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 Stafford County Hospital's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the pension and other postemployment benefits information as listed in the table of contents be presented to supplement the basic financial statements. Such 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. 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.

FORVIS, LLP

Wichita, Kansas
October 18, 2022

Stafford County Hospital
A Component Unit of Stafford County, Kansas
Balance Sheets
December 31, 2021 and 2020

Assets and Deferred Outflows of Resources

	2021	2020
Current Assets		
Cash and cash equivalents	$ 3,069,384	$ 5,007,840
Short-term certificates of deposit	513,872	513,363
Patient accounts receivable, net of allowance;		
2021 - $609,000, 2020 - $231,000	1,465,180	1,386,327
Other receivable	3,172	-
Estimated amounts due from Medicare	1,810,098	569,894
Supplies	146,477	108,323
Prepaid expenses and other	52,385	64,687
Total current assets	7,060,568	7,650,434
Capital Assets, Net	1,551,646	929,524
Total assets	8,612,214	8,579,958
Deferred Outflows of Resources		
Pension	141,265	172,610
Other postemployment benefits	349	30
Total deferred outflows of resources	141,614	172,640
Total assets and deferred outflows of resources	$ 8,753,828	$ 8,752,598

See Notes to Financial Statements

Liabilities, Deferred Inflows of Resources and Net Position (Deficit)

	2021	2020
Current Liabilities		
Current maturities of long-term debt	$ 570,357	$ 610,000
Accounts payable	3,018,966	1,052,012
Accrued expenses	58,523	34,625
Unearned revenue	2,325,246	2,711,657
Advance from Medicare	1,473,890	761,154
Total current liabilities	7,446,982	5,169,448
Advance from Medicare	-	1,925,268
Long-term Debt	6,321,204	6,702,431
Net Pension Liability	150,894	215,840
Total Other Postemployment Benefits Liability	2,634	1,841
Total liabilities	13,921,714	14,014,828
Deferred Inflows of Resources		
Pension	360,961	558,408
Other postemployment benefits	11,984	14,062
Total deferred inflows of resources	372,945	572,470
Net Position (Deficit)		
Net investment in capital assets	1,075,219	386,109
Unrestricted	(6,616,050)	(6,220,809)
Total net deficit	(5,540,831)	(5,834,700)
Total liabilities, deferred inflows of resources and net position (deficit)	$ 8,753,828	$ 8,752,598

Stafford County Hospital
A Component Unit of Stafford County, Kansas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2021 and 2020

	2021	2020
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2021 - $557,810, 2020 - $156,929	$ 9,763,785	$ 7,472,757
Entries outsourced to FORVIS	19,731	17,832
Total operating revenues	9,783,516	7,490,589
Operating Expenses		
Salaries and wages	519,838	234,156
Employee benefits	(150,898)	(414,818)
Purchased services and professional fees	9,662,832	7,626,672
Supplies and other	1,141,615	1,195,757
Depreciation	198,752	158,885
Total operating expenses	11,372,139	8,800,652
Operating Loss	(1,588,623)	(1,310,063)
Nonoperating Revenues (Expenses)		
Noncapital appropriations - Stafford County	443,011	477,000
Interest income	1,651	15,273
Interest expense	(31,579)	(208,503)
Noncapital grants and gifts	235,804	149,841
Provider Relief Funds (*CARES Act*)	952,173	725,657
Paycheck Protection Program (PPP) loan forgiveness	37,441	-
Forgiveness of related party debt	243,991	-
Total nonoperating revenues	1,882,492	1,159,268
Increase (Decrease) in Net Position	293,869	(150,795)
Net Deficit, Beginning of Year	(5,834,700)	(5,683,905)
Net Deficit, End of Year	$ (5,540,831)	$ (5,834,700)

Stafford County Hospital
A Component Unit of Stafford County, Kansas
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Operating Activities		
Receipts from and on behalf of patients	$ 7,232,196	$ 8,477,092
Payments to suppliers and contractors	(8,863,345)	(7,030,817)
Payments to and on behalf of employees	(577,694)	(6,539)
Other receipts, net	(357,615)	2,729,489
Net cash provided by (used in) operating activities	(2,566,458)	4,169,225
Noncapital Financing Activities		
Noncapital appropriations - Stafford County	439,839	477,000
Noncapital grants and gifts	235,804	149,841
Principal paid on noncapital note payable	(33,501)	(31,555)
Interest paid on noncapital note payable	(1,298)	(3,022)
Proceeds from issuance of PPP loan	-	37,441
Provider Relief Funds *(CARES Act)*	952,173	725,657
Principal paid on promissory notes payable	(38,949)	(906,187)
Interest paid on promissory notes payable	(331)	(174,291)
Net cash provided by noncapital financing activities	1,553,737	274,884
Capital and Related Financing Activities		
Purchase of capital assets	(797,539)	(262,075)
Principal paid on capital lease	(99,388)	(96,437)
Interest paid on capital lease	(29,950)	(31,190)
Net cash used in capital and related financing activities	(926,877)	(389,702)
Investing Activities		
Purchase of short-term certificate of deposit	-	(634,309)
Maturities of short-term certificate of deposit	-	500,539
Interest income received	1,142	15,273
Net cash provided by (used in) investing activities	1,142	(118,497)
Increase (Decrease) in Cash and Cash Equivalents	(1,938,456)	3,935,910
Cash and Cash Equivalents, Beginning of Year	5,007,840	1,071,930
Cash and Cash Equivalents, End of Year	$ 3,069,384	$ 5,007,840

Stafford County Hospital
A Component Unit of Stafford County, Kansas
Statements of Cash Flows (Continued)
Years Ended December 31, 2021 and 2020

	2021	2020
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities		
Operating loss	$ (1,588,623)	$ (1,310,063)
Depreciation	198,752	158,885
Loss on disposal of capital assets	9,065	-
Provision for uncollectible accounts	557,810	156,929
Changes in operating assets and liabilities		
Patient accounts receivable, net	(636,663)	(968,964)
Estimated amounts due from and to Medicare	(1,240,204)	(870,052)
Accounts payable and accrued expenses	1,990,852	1,834,060
Other assets	(25,852)	(22,636)
Unearned revenue	(386,411)	2,711,657
Medicare advance	(1,212,532)	2,686,422
Net pension liability	(64,946)	125,234
Total other postemployment benefits liability	793	(192)
Deferred outflows of resources - pension	31,026	(81,327)
Deferred inflows of resources - pension and OPEB	(199,525)	(250,728)
Net cash provided by (used in) operating activities	$ (2,566,458)	$ 4,169,225
Noncash Investing, Capital and Financing Activities		
Capital lease obligations incurred for capital assets	$ 32,400	$ -
PPP loan forgiveness	$ 37,441	$ -
Forgiveness of related party debt	$ 243,991	$ -
Conversion of accounts payable to promissory notes payable	$ -	$ 7,600,967

Stafford County Hospital
A Component Unit of Stafford County, Kansas
Notes to Financial Statements
December 31, 2021 and 2020

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

Nature of Operations and Reporting Entity

Stafford County Hospital (Hospital) is an acute care hospital located in Stafford, Kansas. The Hospital is a component unit of Stafford County, Kansas (County) and the Board of County Commissioners appoints members to the Board of Directors of the Hospital. The Hospital primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in the Stafford County area. It also operates a home health agency in the same geographic area.

Basis of Accounting and Presentation

The financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, 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, interest income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Hospital first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Use of Estimates

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

Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2021 and 2020, cash equivalents consisted primarily of certificates of deposit, which are carried at amortized cost.

Patient Accounts Receivable

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

Supplies

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

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Hospital:

Land improvements	10 – 15 years
Buildings	5 – 40 years
Fixed equipment	10 – 25 years
Major moveable equipment	5 – 20 years

Capital Asset Impairment

The Hospital evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment loss. No asset impairment was recognized during the years ended December 31, 2021 and 2020.

Deferred Outflows of Resources

The Hospital reports the consumption of net position that is applicable to a future period as deferred outflows of resources in a separate section of its balance sheets.

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. 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 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; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters, except workers' compensation. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

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

Paycheck Protection Program (PPP) Loan

The Hospital received a PPP loan established by the *Coronavirus Aid, Relief and Economic Security Act (CARES Act)* and has accounted for the funding as debt in accordance with GASB 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan is recognized as nonoperating revenue in the financial statements in the period the debt is legally forgiven. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration (SBA), or lender; as a result of such audit, adjustment could be required to any revenue recognized. The Hospital received legal notice on January 26, 2021, that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment as other nonoperating revenue in the accompanying statements of revenues, expenses and changes in net position (deficit).

Cost-Sharing Defined Benefit Pension Plan

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

Defined Benefit Other Postemployment Benefit Plan

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

Deferred Inflows of Resources

The Hospital reports an acquisition of net position that is applicable to a future period as deferred inflows of resources in a separate section of its balance sheets.

Net Position (Deficit)

Net position (deficit) of the Hospital is classified in two components on its balance sheets.

- Net investment in capital assets consist of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.

- Unrestricted net position (deficit) is the remaining net position (deficit) that does not meet the definition of net investment in capital assets.

Net Patient Service Revenue

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

Charity Care

The Hospital provides care at amounts less than its established rates to patients meeting certain criteria under its uncompensated care policy. Because the Hospital does not pursue collection of amounts determined to qualify as uncompensated care, these amounts are not reported as net patient service revenue.

Noncapital Appropriations – Stafford County

The Hospital received approximately 4% in 2021 and 5% in 2020 of its financial support from the proceeds of noncapital appropriations derived from property taxes levied by the County. One hundred percent of these funds were used to support operations in both years.

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

Provider Relief Funds (CARES Act)

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

Income Taxes

As an essential government function of the County, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

Note 2: Deposits

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

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

At December 31, 2021 and 2020, respectively, $3,350,741 and $5,276,622 of the Hospital's bank balances of $3,600,741 and $5,526,622 were exposed to custodial credit risk as follows:

	2021	2020
Uninsured and collateral held by pledging financial institution	$ 3,350,741	$ 5,276,622

Summary of Carrying Values

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

	2021	2020
Carrying value		
Deposits	$ 3,583,006	$ 5,520,953
Petty cash	250	250
	$ 3,583,256	$ 5,521,203

Included in the following balance sheet captions:

	2021	2020
Cash and cash equivalents	$ 3,069,384	$ 5,007,840
Short-term certificates of deposit	513,872	513,363
	$ 3,583,256	$ 5,521,203

Note 3: Patient Accounts Receivable

The Hospital grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at December 31 consisted of:

	2021	2020
Medicare	$ 1,300,288	$ 1,031,535
Medicaid	134,617	69,276
Blue Cross	101,577	60,124
Other third-party payers	189,536	101,299
Patients	348,238	355,060
	2,074,256	1,617,294
Less allowance for uncollectible accounts	609,076	230,967
	$ 1,465,180	$ 1,386,327

Note 4: Capital Assets

Capital assets activity for the years ended December 31 was:

	2021				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 24,001	$ 5,070	$ -	$ -	$ 29,071
Land improvements	13,646	-	-	-	13,646
Buildings	316,863	67,455	-	8,555	392,873
Fixed equipment	907,909	23,593	-	-	931,502
Major moveable equipment	793,705	228,395	(73,262)	55,000	1,003,838
Construction in progress	63,555	505,426	-	(63,555)	505,426
	2,119,679	829,939	(73,262)	-	2,876,356
Less accumulated depreciation					
Land improvements	13,646	-	-	-	13,646
Buildings	158,630	23,500	-	-	182,130
Fixed equipment	429,882	94,462	-	-	524,344
Major moveable equipment	587,997	80,790	(64,197)	-	604,590
	1,190,155	198,752	(64,197)	-	1,324,710
Capital Assets, Net	$ 929,524	$ 631,187	$ (9,065)	$ -	$ 1,551,646

	2020				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 24,001	$ -	$ -	$ -	$ 24,001
Land improvements	13,646	-	-	-	13,646
Buildings	226,963	89,900	-	-	316,863
Fixed equipment	882,166	25,743	-	-	907,909
Major moveable equipment	780,487	82,877	(69,659)	-	793,705
Construction in progress	-	63,555	-	-	63,555
	1,927,263	262,075	(69,659)	-	2,119,679
Less accumulated depreciation					
Land improvements	13,082	564	-	-	13,646
Buildings	146,581	12,049	-	-	158,630
Fixed equipment	339,654	90,228	-	-	429,882
Major moveable equipment	601,612	56,044	(69,659)	-	587,997
	1,100,929	158,885	(69,659)	-	1,190,155
Capital Assets, Net	$ 826,334	$ 103,190	$ -	$ -	$ 929,524

Note 5: Long-term Debt

The following is a summary of long-term debt transactions for the Hospital for the years ended December 31, 2021 and 2020:

	2021				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Note payable, related party	$ 36,795	$ -	$ 33,501	$ 3,294	$ 3,294
Non-balloon promissory note	2,517,927	-	38,949	2,478,978	475,054
Balloon promissory note	4,176,853	-	243,991	3,932,862	-
PPP loan payable to bank	37,441	-	37,441	-	-
Capital lease obligations	543,415	32,400	99,388	476,427	92,009
	$ 7,312,431	$ 32,400	$ 453,270	$ 6,891,561	$ 570,357

	2020				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Note payable, related party	$ 68,350	$ -	$ 31,555	$ 36,795	$ 33,501
Non-balloon promissory note	-	3,424,114	906,187	2,517,927	460,880
Balloon promissory note	-	4,176,853	-	4,176,853	-
PPP loan payable to bank	-	37,441	-	37,441	18,461
Capital lease obligations	639,852	-	96,437	543,415	97,158
	$ 708,202	$ 7,638,408	$ 1,034,179	$ 7,312,431	$ 610,000

Non-Balloon Promissory Note

The promissory note consists of an agreement with Carter Professional Care Stafford, LLC, to repay the principal amount of $3,424,114 dated October 1, 2020. The promissory note is payable in monthly installments through October 1, 2027. The Hospital is required to make monthly payments of $45,244, including interest of 3%.

Balloon Promissory Note

The promissory note consists of an agreement with Carter Professional Care Stafford, LLC, to repay the principal amount of $4,176,853 dated October 1, 2020. In consideration of the continuing effectiveness of the Management Services Agreement dated October 1, 2020, with Carter Professional Care Stafford, LLC, a portion of the outstanding principal balance and accrued, but unpaid, interest shall be forgiven commencing on the first anniversary of the Management Services Agreement and on each subsequent anniversary thereafter. Any remaining principal and interest amounts shall be payable in one installment on October 1, 2027. The promissory note has an interest rate of 3%.

Paycheck Protection Program (PPP) Loan

The *CARES Act* and other subsequent legislation provides an SBA loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. The Hospital received a PPP loan of $37,441 in 2020. The Hospital received legal notice on January 26, 2021, that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment as other nonoperating revenue in the accompanying statements of revenues, expenses and changes in net position (deficit).

Note Payable, Related Party

The note payable, related party is due January 1, 2022, with principal and interest at 6% payable monthly. The note is unsecured.

Debt Service Requirements

Debt service requirements on long-term debt other than capital lease obligations as of December 31, 2021, are as follows:

Year Ending December 31,	Total to be Paid	Non-Balloon Promissory Note		Balloon Promissory Note		Note Payable Related Party	
		Principal	Interest	Principal	Interest	Principal	Interest
2022	$ 546,238	$ 475,054	$ 67,873	$ -	$ -	$ 3,294	$ 17
2023	542,926	489,503	53,423	-	-	-	-
2024	542,926	504,391	38,535	-	-	-	-
2025	542,926	519,733	23,193	-	-	-	-
2026	497,682	490,297	7,385	-	-	-	-
2027-3030	4,558,116	-	-	3,932,862	625,254	-	-
	$ 7,230,814	$ 2,478,978	$ 190,409	$ 3,932,862	$ 625,254	$ 3,294	$ 17

Capital Lease Obligations

The Hospital is obligated under leases for equipment that are accounted for as capital leases. A schedule of the equipment cost and accumulated depreciation under capital lease at December 31, 2021 and 2020, follows:

	2021	2020
Equipment	$ 765,419	$ 801,038
Accumulated depreciation	369,723	327,150
	$ 395,696	$ 473,888

The following is a schedule by year of future minimum lease payments under capital leases including interest at the rates of 0.00% to 10.62% together with the present value of the future minimum lease payments as of December 31, 2021:

Year Ending December 31,	
2022	$ 110,978
2023	98,234
2024	66,504
2025	48,809
2026	45,425
2027 - 2031	186,373
Total minimum lease payments	556,323
Less amount representing interest	79,896
Present value of future minimum lease payments	$ 476,427

Note 6: Medical Malpractice Coverage and Claims

The Hospital purchases medical malpractice insurance under a claims-made policy with a fixed premium which provides $500,000 and $200,000 of coverage for each medical incident and $1,500,000 and $600,000 of aggregate coverage for each policy year, respectively. The policy only covers claims made and reported to the insurer during the policy term, regardless of when the incident giving rise to the claim occurred. The Kansas Health Care Stabilization Fund provides an additional $500,000 and $300,000 of coverage for each medical incident and $1,500,000 and $900,000 of aggregate coverage for each policy year, respectively.

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 future.

Note 7: Net Patient Service Revenue

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

Medicare. The Hospital is recognized as a critical access hospital (CAH) and is paid at one hundred one percent (101%) of allowable costs for certain inpatient and outpatient services. Home health services are paid on a per-episode basis using clinical, diagnostic and other factors. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare Administrative Contractor.

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

Approximately 94% and 89% of net patient service revenues are from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2021 and 2020, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

Note 8: Cost-Sharing Multiple-Employer Defined Benefit 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 pension 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 age and years of credited service equal 85 "points." Tier 2 benefits are for members who are age 65 with five years of credited service or age 60 with 30 years of credited service. Tier 1 members receive a participating service credit of 1.75% of the final average salary for years of service prior to January 1, 2014. Participating service credit is 1.85% of final average salary for years of service after December 31, 2013. Tier 2 members retiring on or after January 1, 2012, the participating service credit is 1.85% for all years of service.

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

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

Contributions

The law governing KPERS requires an actuary to make an annual valuation of the liabilities and reserves and a determination of the contributions required to discharge the KPERS liabilities. The actuary then recommends to the KPERS Board of Trustees the statewide employer-contribution rates required to maintain the three systems on the actuarial reserve basis. Prior to January 1, 2014, Tier 1 participants were required to contribute 4% of their annual pay. Effective January 1, 2014, the rate was raised to 5% with an increase in the benefit multiplier to 1.85% beginning January 1, 2014, for future years of service only. Effective January 1, 2015, the contribution rate was raised to 6%. Tier 2 participants are required to contribute 6% of compensation. The Hospital's contractually required contribution rate for the years ended December 31, 2021 and 2020, was 8.87% and 8.61% of annual payroll, respectively. The employer contribution is actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The Hospital's contributions to KPERS for pensions for the years ended December 31, 2021 and 2020, were $31,808 and $17,552, respectively.

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

At December 31, 2021 and 2020, the Hospital reported a liability of $150,894 and $215,840, 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 actuarial valuations 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 non-employer actual contributions of the group for the respective measurement periods. At June 30, 2021, the Hospital's proportion was 0.012575%, which was an increase of 0.000125% from its proportion measured as of June 30, 2020, of 0.012450%. At June 30, 2019, the proportion was 0.006484%.

For the years ended December 31, 2021 and 2020, the Hospital recognized pension expense (credit) of ($201,258) and ($182,352), respectively. At December 31, 2021 and 2020, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 5,956	$ 1,366
Net difference between projected and actual earnings on pension plan investments	-	53,582
Changes of assumptions	29,704	-
Changes in proportion	86,587	306,013
Hospital's contributions subsequent to the measurement date	19,018	-
Total	$ 141,265	$ 360,961

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,604	$ 2,775
Net difference between projected and actual earnings on pension plan investments	25,183	-
Changes of assumptions	13,001	-
Changes in proportion	120,368	555,633
Hospital's contributions subsequent to the measurement date	10,454	-
Total	$ 172,610	$ 558,408

At December 31, 2021, the Hospital reported $19,018 as deferred outflows of resources related to pension contributions made subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2021, related to pensions will be recognized in pension expense as follows:

2022	$ (217,938)
2023	(26,104)
2024	14,502
2025	(10,291)
2026	1,117
	$ (238,714)

Actuarial Assumptions

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

	2021	2020
Price inflation	2.75%	2.75%
Salary increases, including inflation	3.5% to 12%	3.25% to 11.75%
Investment rate of return, net of pension plan investment expense including inflation	7.25%	7.50%

Mortality rates were based on the RP-2014 Healthy Annuitant Table for males or females, as appropriate with adjustments for mortality improvements based on Scale MP-16 for the - December 31, 2020 and 2019, actuarial valuations.

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, respectively.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following 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	23.5%	5.20%	23.5%	5.20%
Non-U.S. Equities	23.5%	6.40%	23.5%	6.40%
Private Equity	8.0%	9.50%	8.0%	9.50%
Private Real Estate	11.0%	4.45%	11.0%	4.45%
Yield Driven	8.0%	4.70%	8.0%	4.70%
Real Return	11.0%	3.25%	11.0%	3.25%
Fixed Income	11.0%	1.55%	11.0%	1.55%
Short Term Investments	4.0%	0.25%	4.0%	0.25%
	100%		100%	

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 as of December 31, 2021.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Hospital's proportionate share of the net pension liability	$ 248,207	$ 150,894	$ 69,286

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 9: 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	3	1
	3	1

Total OPEB Liability

The Hospital's total OPEB liability of $2,634 and $1,841 was measured as of June 30, 2021 and 2020, for the years ended December 31, 2021 and 2020, respectively, and was determined by actuarial valuations as of December 31, 2020 and 2019, respectively, and rolled forward to June 30, 2021 and 2020, respectively.

The total OPEB liability in the December 31, 2020 and 2019, actuarial valuations 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	3.50% to 10%	3.50% to 10%

The discount rate was based on the Bond Buyer General Obligation 20-Year Municipal Bond Index. The discount rate changed from 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-2021 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-2020 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, respectively.

Changes in the Total OPEB Liability

Changes in the total OPEB liability are:

	2021	2020
Balance, beginning of year	$ 1,841	$ 2,033
Changes for the year:		
Service cost	386	353
Interest	50	83
Differences between expected and actual experience	357	(661)
Changes of assumptions	-	33
Net changes	793	(192)
Balance, end of year	$ 2,634	$ 1,841

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The total OPEB liability of the Hospital, at December 31, 2021, 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	$ 2,588	$ 2,634	$ 2,654

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

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

For the years ended December 31, 2021 and 2020, the Hospital recognized OPEB expense (credit) of ($1,604) and ($1,639), respectively. At December 31, 2021 and 2020, the Hospital reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 322	$ 11,817
Changes of assumptions	27	167
Total	$ 349	$ 11,984

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 13,860
Changes of assumptions	30	202
Total	$ 30	$ 14,062

Amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2021, related to OPEB will be recognized in OPEB expense as follows:

2022	$ (2,040)
2023	(2,040)
2024	(2,040)
2025	(2,040)
2026	(2,028)
Thereafter	(1,447)
	$ (11,635)

Note 10: 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 the inputs and assumptions used in significant accounting estimates, including estimated bad debts and contractual adjustments related to uninsured and other patient accounts.

Provider Relief Fund

During the years ended December 31, 2021 and 2020, the Hospital received $466,269 and $3,437,314, respectively, of distributions from the *CARES Act* Provider Relief Fund. These distributions from the Provider Relief Fund are not subject to repayment, provided the Hospital is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by HHS.

The Hospital accounts for such payments as voluntary nonexchange transactions. Payments are recognized as revenue once the applicable terms and conditions to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Hospital's operating revenues and expenses through December 31, 2021 and 2020, the Hospital recognized $952,173 and $725,657, respectively, related to the Provider Relief Fund, and these payments are recorded as Provider Relief Funds (*CARES Act*), classified as nonoperating revenues in the accompanying statements of revenues, expenses and changes in net position (deficit). The unrecognized amount of Provider Relief Fund distributions of $2,225,753 and $2,711,657 is recorded as a component of unearned revenue in the accompanying balance sheets for the years ended December 31, 2021 and 2020, respectively.

Guidance for reporting use of Provider Relief Fund payments received has changed significantly since distributions were authorized through the *CARES Act* in March 2020. The Hospital has evaluated the "Post-Payment Notice of Reporting Requirements" (Notice) and the Frequently Asked Questions (FAQs) issued by HHS for the years ended December 31, 2021 and 2020, and has recognized revenue accordingly. The Hospital will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Hospital's revenues and expenses. The terms and conditions governing the Provider Relief Funds are complex and subject to interpretation and change. If the Hospital is unable to attest to or comply with current or future terms and conditions the Hospital's ability to retain some or all of the distributions received may be affected. The Provider Relief Funds are subject to government oversight, including potential audits.

Medicare Accelerated and Advanced Payment Program

During the year ended December 31, 2020, the Hospital requested accelerated Medicare payments as provided for in the *CARES Act*, which allows for eligible health care facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other health care providers. These amounts are expected to be recaptured by CMS according to the payback provisions.

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

During the year ended December 31, 2020, the Hospital received $2,686,422 from these accelerated Medicare payment requests. During the years ended December 31, 2021 and 2020, Medicare has applied approximately $1,210,000 and $0, 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 classified as a current and a long-term liability based upon payback provisions in effect at December 31, 2021 and 2020.

Paycheck Protection Program (PPP) Loan

During the year ended December 31, 2020, the Hospital received a PPP loan of $37,441 established by the *CARES Act* and has accounted for the funding as debt in accordance with GASB 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan is recognized as nonoperating revenue in the financial statements in the period the debt is legally forgiven. PPP loans are subject to audit and acceptance by the SBA, or lender; as a result of such audit, adjustment could be required to any revenue recognized. The Hospital received legal notice on January 26, 2021, that

the PPP loan was forgiven in its entirety and recognized the gain from extinguishment as other nonoperating revenue in the accompanying statements of revenues, expenses and changes in net position (deficit).

Other COVID-19 Funding

In November 2021, the Hospital received $99,493 of a distribution from the Frontline Hospital Employee Retention Plan Program. Funding under this program will be utilized by the Hospital to retain existing clinical staff and re-hire retirees who have retired since March 1, 2020. The distribution is recorded as a component of unearned revenue in the accompanying balance sheets for the year ended December 31, 2021.

During the years ended December 31, 2021 and 2020, 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 Hospital received $63,613 and $30,429, during 2021 and 2020, respectively. The Hospital recognized $63,613 and $30,429 related to this grant at December 31, 2021 and 2020, respectively. The payments are recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position (deficit).

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

During the year ended December 31, 2020, HHS provided $100 million in aid to hospitals and health care systems in preparing for a surge in COVID-19 patients. Of that funding, $50 million was allotted to State Hospitals Associations for distribution through competitive grant applications. KHA received $784,542 in funds, which were distributed on May 1. In addition, KHA was awarded an additional $1.95 million to be distributed in the future. The Hospital received and recognized $3,000 during 2020, related to this Assistant Secretary for Preparedness and Response (ASPR) grant. 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 (deficit).

Note 11: Management's Consideration of Going Concern Matters

The Hospital has incurred losses from operations for the past several years. The financial statements have been prepared assuming the Hospital will continue as a going concern, realizing assets and liquidating liabilities in the ordinary course of business. Management is considering several alternatives for mitigating these conditions during the next year. These include evaluation of staffing patterns in the Hospital, new services, adjustments of charge rates for services to meet market conditions and other forms of financing. Although not currently planned, realization of assets in other than the ordinary course of business in order to meet liquidity needs could incur losses not reflected in these financial statements.

Note 12: Contingencies

Litigation

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

Note 13: Subsequent Events

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

Note 14: Future Change in Accounting Principle

Leases

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* (GASB 87) provides a new framework for accounting for leases under the principle that leases are financings. No longer will leases be classified between capital and operating. Lessees will recognize an intangible asset and a corresponding liability. The liability will be based on the payments expected to be paid over the lease term, which includes an evaluation of the likelihood of exercising renewal or termination options in the lease. Lessors will recognize a lease receivable and related deferred inflow of resources. Lessors will not derecognize the underlying asset. An exception to the

general model is provided for short-term leases that cannot last more than 12 months. Contracts that contain lease and nonlease components will need to be separated so each component is accounted for accordingly.

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

Required Supplementary Information

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

	2021 *	2020 *	2019 *	2018 *	2017 *	2016 *	2015 *	2014 *
Hospital's proportion of the net pension liability	0.012575%	0.012450%	0.006484%	0.000000%	0.094216%	0.094703%	0.093038%	0.092180%
Hospital's proportionate share of the net pension liability	$ 150,894	$ 215,840	$ 90,606	$ -	$ 1,364,677	$ 1,465,083	$ 1,221,630	$ 1,134,563
Hospital's covered-employee payroll	$ 255,918	$ 234,147	$ 138,062	$ 759,656	$ 1,541,365	$ 1,563,547	$ 1,559,189	$ 1,499,448
Hospital's proportionate share of the net pension liability as a percentage of its covered-employee payroll	58.96%	92.18%	65.63%	0.00%	88.54%	93.70%	78.35%	75.67%
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 fiscal year).

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

	2021 *	2020 *	2019 *	2018 *	2017 *	2016 *	2015 *	2014 *
Contractually required contribution	$ 31,808	$ 17,552	$ 21,831	$ 8,896	$ 85,953	$ 140,593	$ 150,250	$ 138,160
Contribution in relation to the contractually required contribution	31,808	17,552	21,831	8,896	85,953	140,593	150,250	138,160
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Hospital's covered-employee payroll	$ 357,773	$ 203,851	$ 245,421	$ 68,462	$ 1,048,352	$ 1,454,926	$ 1,580,414	$ 1,562,903
Contributions as a percentage of covered-employee payroll	8.89%	8.61%	8.90%	12.99%	8.20%	9.66%	9.51%	8.84%

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 (December 31).

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

	2021 *	2020 *	2019 *	2018 *	2017 *
Total OPEB Liability					
Service cost	$ 386	$ 353	$ 329	$ 325	$ 5,561
Interest	50	83	92	718	556
Differences between expected and actual experience	357	(661)	(437)	(18,712)	-
Changes in assumptions	-	33	(1)	(3)	(338)
Net Change in Total OPEB Liability	793	(192)	(17)	(17,672)	5,779
Hospital's Total OPEB Liability - Beginning	1,841	2,033	2,050	19,722	13,943
Hospital's Total OPEB Liability - Ending	$ 2,634	$ 1,841	$ 2,033	$ 2,050	$ 19,722
Hospital's Covered-Employee Payroll	$ 244,984	$ 69,638	$ 68,462	$ 65,910	$ 1,619,007
Hospital's Total OPEB Liability as a Percentage of Covered-Employee Payroll	1.08%	2.64%	2.97%	3.11%	1.22%
Changes of Assumptions					
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.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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